

BLACK LIKE CLINTON?: KERRY AND THE AFRICAN-AMERICAN VOTE

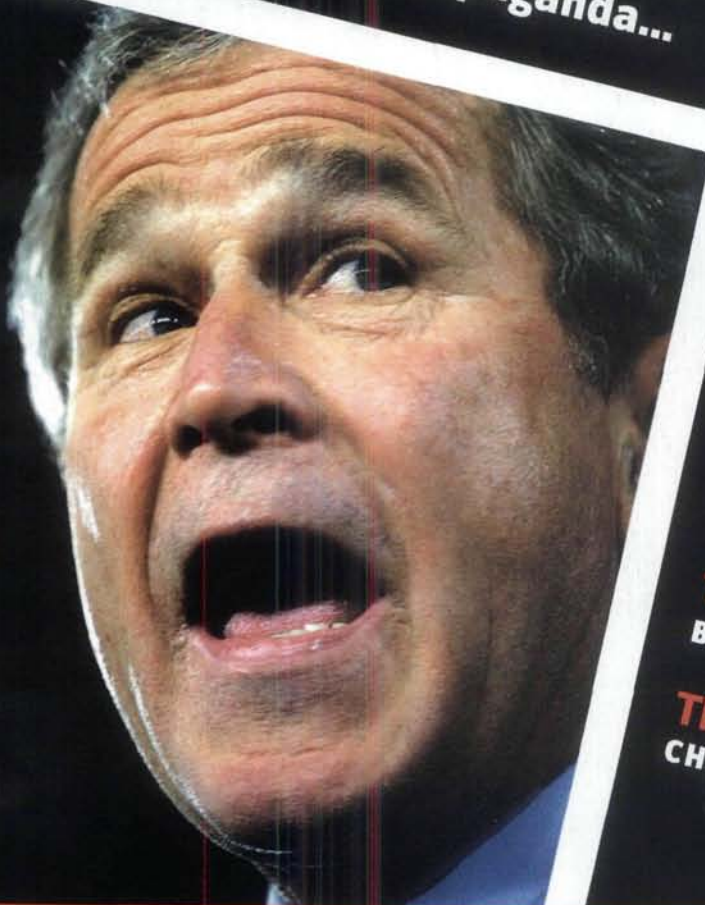
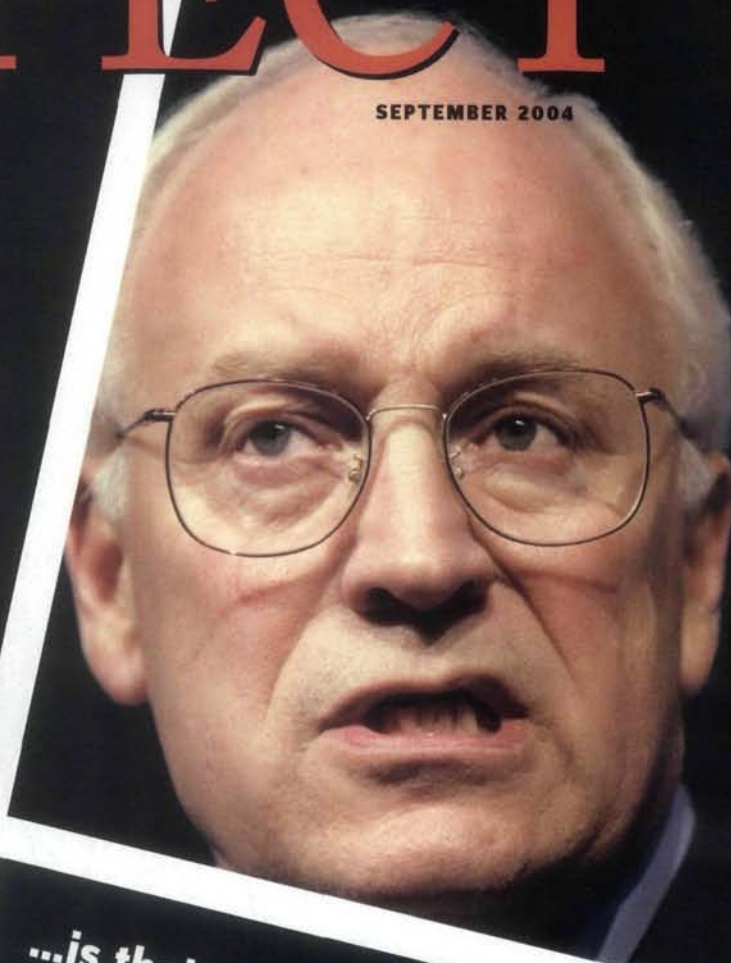
THE AMERICAN PROSPECT

LIBERAL INTELLIGENCE

SEPTEMBER 2004

AXIS of DRIVE

The only thing worse
than their propaganda...



...is their record:

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MATTHEW YGLESIAS

The Economic Rip-Off
DAVID SIROTA

The Health-Care Scam
BARBARA T. DREYFUSS

The Stem-Cell Swindle
CHRIS MOONEY

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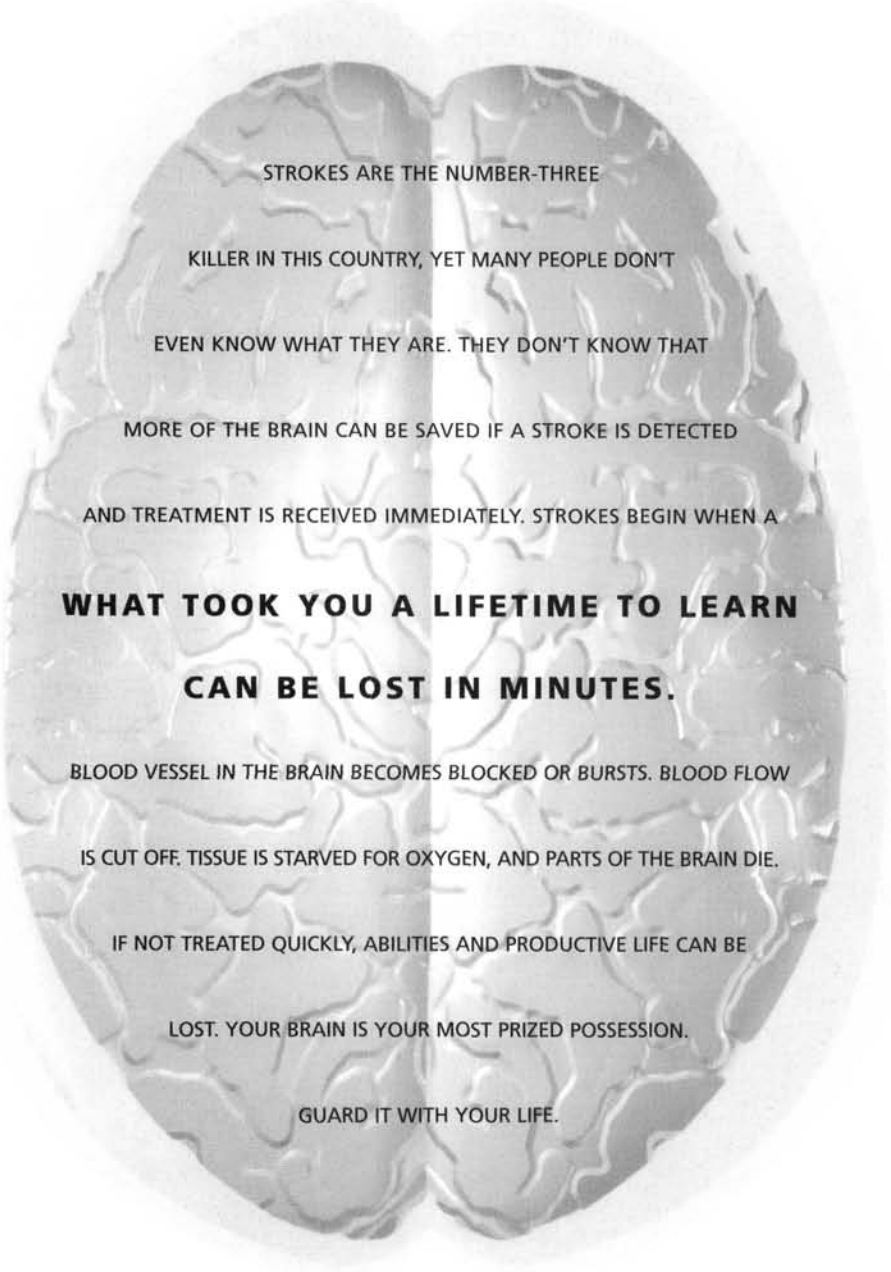
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SPECIAL REPORT: BRIDGING THE TWO AMERICAS



STROKES ARE THE NUMBER-THREE
KILLER IN THIS COUNTRY, YET MANY PEOPLE DON'T
EVEN KNOW WHAT THEY ARE. THEY DON'T KNOW THAT
MORE OF THE BRAIN CAN BE SAVED IF A STROKE IS DETECTED
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**WHAT TOOK YOU A LIFETIME TO LEARN
CAN BE LOST IN MINUTES.**

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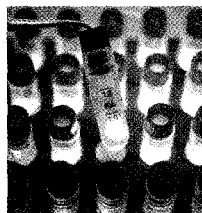
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THE AMERICAN PROSPECT



"This November, Californians will vote on a stem-cell ballot initiative that could [provide] the closest thing to a popular referendum on the Bush policy." PAGE 29

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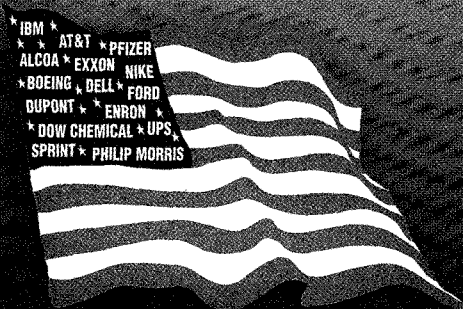
James Mann on *Arguing About War* by Michael Walzer and *The Lesser Evil: Political Ethics in an Age of Terror* by Michael Ignatieff; William Forbath on *The Second Bill of Rights: FDR's Unfinished Revolution—And Why We Need It More Than Ever* by Cass R. Sunstein

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Liberalism in Arms

It would have been a catastrophe for democracy itself if liberal leadership during the past century had been unequal to the challenges of national defense. But under Woodrow Wilson and Franklin Delano Roosevelt, the United States and its allies

prevailed in both world wars. FDR and Harry Truman, advised by such "wise men" as George F. Kennan, created the alliances and international institutions that were foundations of U.S. security in the postwar era. And John F. Kennedy upheld and extended the same liberal internationalism at the height of the Cold War.

Nonetheless, when John F. Kerry presented himself and his fellow Democrats at their July convention as a credible party of national defense, some observers were skeptical, as if this could only be a masquerade or a makeover instead of being rooted in a long tradition.

The convention highlighted Kerry's own personal bravery in war, a narrative with obvious parallels to the biography of the original JFK. But there were more substantive continuities: In his emphasis on restoring strong ties with our allies and respect for America abroad, Kerry was reasserting the internationalism that is one of liberalism's central tenets and signal achievements. And by declaring that the United States should go to war only when it must, Kerry was rejecting the missionary vision of war as a means of remaking the world in our own image. That, too, reflects a hard-won liberal understanding of the past century, acquired more than once after painful experience.

What liberalism properly calls for in defense and foreign policy is a certain combination of toughness, prudence, and humanity—the military capacity and readiness to defeat genuine threats to America's security and the determination to build international institutions, cultivate alliances, and use law and diplomacy to resolve conflict. Just as liberalism has historically sought to protect individual rights through the rule of law and limits on unbridled power at home, so it has sought to project those same norms of respect for law, life, and liberty into the international arena—conscious, however, that force may ultimately be necessary for self-defense, and that force spent unwisely may undermine security rather than ensure it.

Does terrorism require us to change? Tactics, yes, but philosophy and institutions, no. Terrorist networks have made international cooperation all the more necessary.

The potential scale of the terrorist threat has made the prudent and focused deployment of power all the more urgent. And the pressure to sacrifice our liberties has made their vigilant protection all the more vital.

Most of those who oppose George W. Bush's policies do so not out of pacifism or delusions about Osama bin Laden or Saddam Hussein but out of dismay at the administration's ham-fisted conduct of the nation's affairs. The president has squandered international goodwill, gratuitously alienated our allies, compromised our ideals, and distorted the truth—and, in the process, weakened the United States.

By overthrowing Hussein, Bush may have intended to deter other regimes from acquiring weapons of mass destruction. But, Iran and North Korea, seeing how overstretched we are in Iraq, have moved ahead with steps necessary to produce nuclear weapons. Perversely, the war has made American power less of a deterrent.

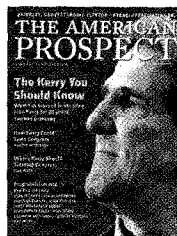
Liberalism's troubles with national security date to the Vietnam War, a fiasco for which a liberal administration was originally responsible. Kerry, among many

others at the time, was right to turn against the war. Contrary to the neoconservatives, the opposition to the war upheld America's ideals as well as its true interests—one of our interests being that we recognize mistakes when we make them. That is basically what is at issue now, even as Kerry also recognizes the need to see the continuing struggle in Iraq through to an honorable conclusion.

The 2004 campaign may be the last battle over the Vietnam War—between those who learned one lesson from the war and those who learned another. Vietnam unleashed a conflict at home in which Kerry and Bush chose opposite sides, and that conflict is still playing itself out. But as a veteran who fought in the war and then fought against it (and as a stalwart on defense who helped heal the nation's Vietnam POW wounds in a bipartisan way) Kerry may be ideally suited to end the recriminations from Vietnam, to put to rest the canard that Democrats cannot be trusted on national security, and to reclaim the tradition of an internationalist, tough, prudent, and humane foreign policy.

—PAUL STARR

**The 2004 campaign
may be the last battle
over Vietnam—and
John Kerry is well-
positioned to fight it.**



"Doesn't [Oliphant's usage] imply that courage is related to that part of human anatomy?"

—NANCY BECKER, Portland, OR

Correspondence

LB-Yea

RICHARD BYRNE'S ARTICLE on the legacy of Lyndon Baines Johnson ["Lyndon Agonistes," August 2004] is correct in its assertion that LBJ deserves his place as one of progressivism's greatest champions.

When it comes to domestic policy, Johnson ranks as one of the greatest American presidents of the 20th century. His principled leadership secured landmark laws including Medicare, Medicaid, Head Start, Job Corps, and the Elementary and Secondary Education Act. It was Johnson—a southerner who benefited from vestiges of white supremacy and was eager to redeem himself before his country and faith—who fought for the Civil Rights Act of 1964, the Voting Rights Act of 1965, and the 1968 Fair Housing Act. Is there a greater example of presidential leadership than Johnson declaring before the public and Congress that "we shall overcome" the legacy of racism?

Yet Johnson's crusade in Vietnam has forever spoiled his record, and rightly so. A record that includes the progressive landmark laws mentioned above, however, should not be overlooked. Johnson stands alongside such progressive luminaries as Franklin and Eleanor Roosevelt, Harry Truman, Robert Kennedy, Hubert

Humphrey, and Walter Reuther as one of the greatest champions the American people have ever known.

LUIS VIERA
Temple Terrace, FL

Unfillable Rx

IN HER ARTICLE ON FIGHTING terrorism ["The Talking Cure," August], Laura Secor writes, "[W]hen it comes to swaying larger populations and shifting public attitudes, U.S. policy-makers can and must make real inroads." But she doesn't tell us who is going to do this. Advisory panels are all very well, but they can't get anything done. The government's record so far is abysmal.

U.S. public-relations firms have hundreds of executives, at home and in overseas offices, with substantial experience on campaigns in Arab and Muslim countries. The government should hire one of them to plan and execute a comprehensive short- and long-range program.

LEE LEVITT
New York, NY

He's Got Womb?

I LOVE YOUR MAGAZINE and read it every month. I was truly dismayed, however, to read a quote from Thomas Oliphant's article about John Kerry ["The Kerry I Know," August] highlighted as a teaser: "Put yourself in Kerry's shoes ...

it took balls."

Excuse me, but doesn't this imply that courage is related to that part of human anatomy? It may have taken "guts," it might even have taken "womb," but surely sexist language like this should be edited out (and certainly not highlighted as a teaser). You can and should do better! Language counts.

NANCY BECKER
Portland, OR

Back to School

I WAS DISMAYED TO READ in Harold Meyerson's article ["Climbing the Hill," August], that a "source close to both [Massachusetts Senator Ted] Kennedy and [John] Kerry" has asserted that, under a Kerry administration, No Child Left Behind (NCLB) would be "fully funded."

If so, this is bad news for educators, parents, and all citizens. NCLB compels teaching to a test and relies on rote learning at the expense of more creative pedagogy. It undermines teachers' abilities to design curricula specific to the needs and interests of students. It punishes underfunded schools that don't measure up on the tests. And, when all the data are analyzed properly, it has been shown to be a failure even by its own standards.

Full funding for this atrocity? What we need is a

full public debate on the future of American education.

JERRY STARR
Director, Center for Social Studies Education
Pittsburgh, PA

Montreal Expo

CONNIE DE LA VEGA ["Going It Alone," July] provides an excellent summary of the international isolation the United States finds itself in as a result of its use of the death penalty. The other side of the coin is the increasing use of international law and institutions by U.S. advocates and litigators (including de la Vega herself) to reduce that isolation and to put pressure on the United States to change. In turning to the Inter-American Court on Human Rights, the International Court, and the United Nations Commission on Human Rights, and by referencing international law in their litigation, U.S. abolitionists have brought increasing visibility to America's rejection of international norms.

This year there will be an exceptional opportunity for those of us in the United States working for reform to expand these efforts, to bring our experiences to an international audience, and to learn from the rest of the world. From October 6–9, the 2nd World Congress Against the Death Penalty will be held in Montreal.

Supported by the government of Canada as well as many European nations, it will bring together lawyers, activists, legislators, families of victims, ex-prisoners, and students to share their experiences in the fight for abolition. As de la Vega points out, it's high time for the United States to lead by example and to break out of its isolation as one of the few remaining democracies to hold on to an ineffective and counterproductive sentence.

JENNI GAINSBOROUGH
Director, Penal Reform
International
Washington, DC

Go Negative

I HAVE SOME SECOND thoughts on Tara McKelvey's suggestion that there is a strategic weakness in MoveOn's basically successful approach to political activism ["Onward and Forward," August]. Her viewpoint was adequately conveyed in a section of her quotation from Michael Cornfield's book, *Politics Moves Online*: "[T]hey're focused on saying, 'Stop this,' not, 'Do this.'"

A bit of conventional wisdom from the history of scientific theories should remind us that what we think we know about the workings of the real world is usually much less important than what we definitely know is wrong.

MoveOn's appeal and growing influence appear to reflect the application of this principle to the sphere of political behavior.

For example, in this important election year, supporters and activists for almost any progressive cause could end up agreeing that four more years of a Bush presidency would definitely be the wrong way to go. Consequently, almost any feasible alternative to Bush should become a widely acceptable choice.

OZ HONKALEHTO
Hamilton, NY

Neo-con-artists

WHY NOT CUT TO THE chase and simply call the neocons neo-con-artists ["Inside the Crack-Up," July]? To add insult to injury, these very same free-trade wizards think it's great to export upper-middle-class jobs to India and China in exchange for hamburger-flipping jobs at McDonalds and door-greeter jobs at the Great Wal-Mart. Look for many pissed-off workers to start voting Democratic if this isn't addressed.

STEVE BARNHOORN
Hemlock, NY

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Taken Hostage

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David Farber

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—Fredrik Logevall,
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—Anthony Lewis,
New York Review of Books

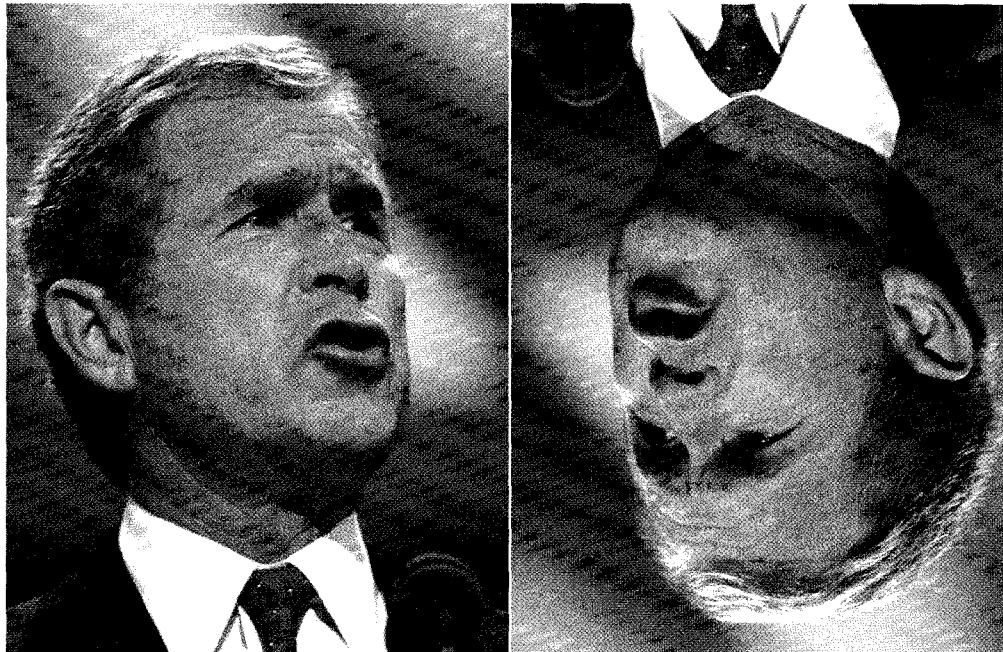
There is perhaps no greater political challenge today than trying to win the war against terror without losing our democratic souls. Michael Ignatieff meets this challenge head-on, with the combination of pragmatic idealism, historical awareness, and political judgment that has made him a widely respected writer and commentator.

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Devil in the



Which Way Is Up?: Bush making promises at the 2000 convention; and Bush as president

Bush Flips and Flops

ON AUGUST 3, 2000, IN Philadelphia, Republican candidate George W. Bush accepted his party's nomination for president and delivered a stirring address. As we await the president's upcoming convention speech four years later, let us reflect on the promises he made then and the realities he's created. Can you say "flip-flop"?

Flip: "America has a strong economy and a surplus. We have the public resources and the public will, even the bipartisan opportunities, to strengthen Social Security ..."

Flop: Projected deficit for 2004: \$445 billion. The Center for Budget and Policy Priorities estimates that, if Bush's tax cuts are made permanent, the revenue loss over the next 75 years will be triple the size of the Social Security shortfall over the same period.

Flip: "We will set [Medicare] on firm financial ground and make prescription drugs available and affordable for every senior who needs them."

Flop: The new prescription-drug law covers less than a fourth of the total

drug costs of the elderly and disabled, actually reducing drug benefits for millions currently covered by both Medicare and Medicaid, and prohibits Medicare from negotiating with drug companies for lower prices.

Flip: "My administration will give taxpayers new incentives to donate to charity."

Flop: The Congressional Budget Office reported in July that permanently repealing the federal estate tax will result in a 6 percent to 12 percent overall decline in charitable giving.

Flip: "Now is the time to

make Head Start an early learning program to teach all our children to read and renew the promise of America's public schools."

Flop: Bush pushed in 2003 to transform the program into a state block grant, eliminate performance standards, and reduce its social-service components.

Flip: "I will work to reduce nuclear weapons and nuclear tension in the world."

Flop: The administration announced in late July that it now opposes the inspection and verification provisions of an international treaty regulating nuclear materials. (See also, India, Pakistan, North Korea, Iran.)

Flip: "We're learning to protect the natural world around us. We will continue this progress, and we will not turn back."

Flop: See road programs in national parks, rollback on Superfund, drilling in Alaska, snowmobiles in national parks, arsenic in the water, the energy task force, the Kyoto Protocol ...

Flip: "A generation shaped by Vietnam must remember the lessons of Vietnam: When America uses force in the world, the cause must be just, the goal must be clear, and the victory must be overwhelming."

Flop: Operation Iraqi Freedom.

Flip: "I want to change the tone of Washington to one

Details

"Our enemies are innovative and resourceful, and so are we. They never stop thinking about new ways to harm our country and our people, and neither do we."

—GEORGE W. BUSH, August 5, 2004

of civility and respect."

Flop: Dick Cheney to Pat Leahy ("Go f*\$@! yourself.").

—SAM ROSENFELD

Nukes from Kooks

REMEMBER NORTH KOREA? The charter member of the "axis of evil" that the Bush administration neglected to stop from acquiring nuclear weapons because it was otherwise occupied in Iraq? Yes, *that* North Korea. Well, according to an August 4 report in *Jane's Defense Weekly*, those busy NoKos now have sea-based ballistic-missile systems capable of delivering nuclear warheads more than 2,600 miles. But the Bush administration isn't worried.

After all, wrote *The New York Times* on August 5, paraphrasing unnamed government officials, the People's Republic "does not have a submarine capable of carrying the missile to within striking distance of the United States." Well, pfoof, then. After all, it's not as if the United States bases any soldiers in the Far East or would like to keep the north Asian shipping lanes open. And what if the North Koreans put the missiles on freighters and just sail them to within 2,000 miles or so of our Pacific coast? No big

whoop. "Officials also expressed doubts" to the *Times* that our Korean friends had any intention of doing so. Very reassuring.

But maybe, as journalist John Gorenfeld pointed out on his blog, the administration's nonchalance has a little something to do with the source of Kim Jong-Il's newfound missile fun. According to Defense Intelligence Agency documents, that source would be a "Japanese trading company" called Touen Hoji, which, it turns out, is a front for the Reverend Sun Myung Moon's Unification Church. Yes, *that* Unification Church. The same one that owns *The Washington Times*, setting the right's agenda in the capital and providing sinecures to many a conservative writer. The same *Washington Times*, in fact, that ran an article downplaying the significance of the sale back in 1994.

And the same Reverend Moon, come to think of it, who was crowned by Representative Danny Davis at a bizarre March 23 ceremony in the Dirksen Senate Office Building, during which the reverend informed the audience that Hitler and Stalin had, from beyond the grave, proclaimed him "humanity's savior, messiah, returning lord and true parent." And before a crowd that included John Warner, chair-

man of the Senate Armed Services Committee, and Curt Weldon, who is—drumroll, please—the founder and co-chairman of the House missile-defense caucus. Of course we would have less need for our very expensive but nonfunctional missile-defense system if Weldon's friends

would stop giving ballistic missiles to North Korea.

—MATTHEW YGLESIAS

Wage Wars

TAKING THE OLD MAGician's trick of misdirection to a new extreme, New York

WHILE YOU WERE SLEEPING

The good news is that we've found a Republican who understands that tax cuts don't cure all ills. "The politicians who tell you they will cut taxes are playing you like the shareholders of Enron," says the Web site of James Hart, Republican candidate for Congress in the solidly Democratic 8th District of Tennessee. The bad news is that he's crazy. "Taxes cannot be cut," Hart tells us, "because the budget cannot be balanced because of usury." His solution? Stop borrowing money and just print "usury-free dollars."

But unlike erstwhile free-silver champion William Jennings Bryan, Hart is a believer in evolution, or, as he terms it, "eugenics," by which he means racism in its most wing-nut dimensions. If African Americans had integrated with whites centuries ago, his site informs us, the electric light, the automobile, and the airplane would never have been invented.

The top item on his platform? "Stop Welfare and Immigration, Replace it with a War on Poverty Genes." Our cities, you see, "are being destroyed by dysgenic welfare and immigration." Hart campaigns, according to The Associated Press, by showing up on doorsteps with a gun and a bulletproof vest, proclaiming, "White children deserve the same rights as everyone else."

All this is a bit much for the Tennessee GOP establishment, which has rallied behind write-in candidate Dennis Betrand in an effort to derail Hart and spare the party some embarrassment. In related news, David Duke, white supremacist and former Louisiana GOP gubernatorial candidate, was released from prison over Memorial Day and is eagerly awaiting the release of the Arabic translation of his *Jewish Supremacism*, the sales of which, he predicts, will "go into the millions."

—Matthew Yglesias





BRAVE NEW WORDS

SERVED WITH Served somewhere else, as when the “Swift Boat Veterans for Truth” say they served with John Kerry when, in fact, they either served on the same boat at a different time or on a different boat elsewhere in Vietnam at the same time. *Synonym:* **DIDN'T SERVE WITH.**

EXTREME MAKEOVER According to GOP spinners, what happened at the Democratic convention, where the party donned a moderate mask to conceal its liberal face. Not to be confused with what will transpire at the forthcoming Republican convention, where featured speakers Rudy Giuliani, John McCain, and Arnold Schwarzenegger will endeavor to convince viewers that the moderates actually matter in Karl Rove's big tent.

Governor George Pataki waited until the day of John Kerry's Democratic convention speech, when every political reporter in the Western world was in Boston, to veto New York's new minimum-wage law, which the state Legislature had passed on July 21. The reason for Pataki's discretion was clear enough: The measure was highly popular with state voters and had passed overwhelmingly in both the Democratic-controlled Assembly (by a 116-to-19 majority) and the Republican-controlled Senate (51 to 7). New York may be one of the nation's most liberal states, but oddly—and partly due to the perpetual gerrymander that has given Republicans control of the Senate for time immemorial—it has not been one of the states to set a higher minimum than the anemic federal standard of \$5.15 an hour. The new statute would raise the New York minimum to \$6.15 next January 1 and eventually to \$7.25 two years thereafter.

The bill's champions (chiefly, the excellent Working Families Party) have not given up hope that the Legislature will override Pataki. “These are New York Repub-

licans [running the state Senate], not national Republicans,” says the party's executive director, Dan Cantor, who believes an override is possible after the GOP convention.

In Florida, meanwhile, the Association of Community Organizations for Reform Now (ACORN) has qualified (with 984,000 signatures) an initiative for the November ballot to establish a state minimum wage pegged at \$6.15 an hour. The measure boasts such lopsided support in the polls that business is split on opposing it. Only restaurants and retailers are talking about running an opposition campaign.

The initiative marks a further evolution in the history of the living-wage movement, says Florida ACORN Director Brian Ketterning, moving from the city and county ordinances of the 1990s that raised wages for relatively small numbers of workers to more recent large-scale campaigns in New Orleans and San Francisco, and the one now going statewide in Florida. Just as important, in a year when the right is counting on anti-gay-marriage initiatives in more than a dozen

states to bring out its sometime voters, the Florida initiative is one of all too few ballot measures that will help turn out sometime voters for progressive causes and candidates in minority communities this November. ACORN has already registered 116,000 new voters in Florida's African American and (largely non-Cuban) Hispanic communities this year, and getting them and lower-income voters to the polls could enhance not only working-class Floridians' living standards but also work wonders for John Kerry's presidential prospects.

—HAROLD MEYERSON

Citizen Thad

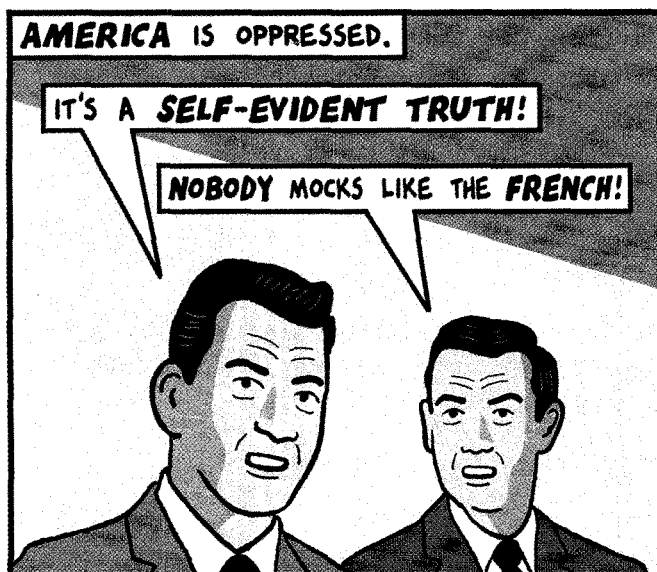
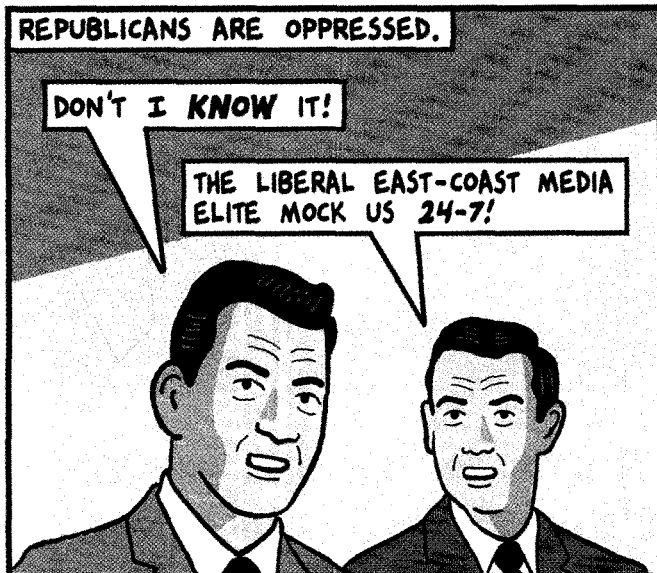
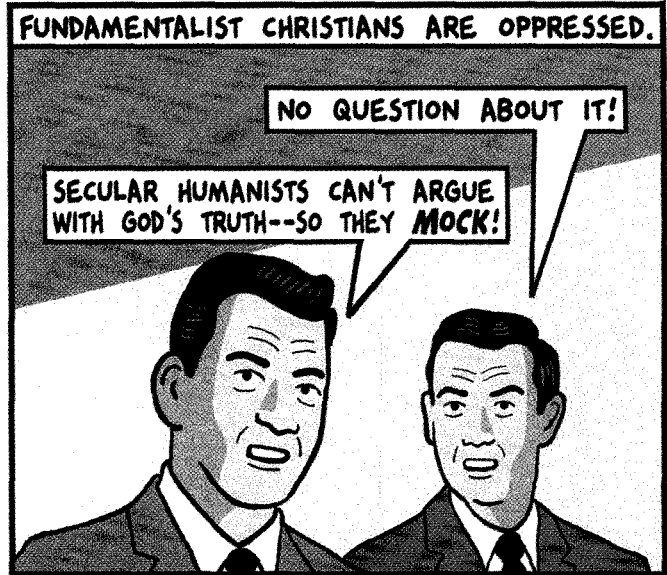
THAD ANDERSON WAS minding his own business when he came across a *New York Times* article reporting that a top assistant to Energy Secretary Spencer Abraham had written an e-mail to a natural-gas-industry lobbyist that read, “If you were King, or Il Duce, what would you include in a national energy policy?” This gave Anderson, who was unaccustomed to the notion that the government should extend royal treatment or totalitarian indulgence to energy lobbyists, some pause. Worse, he quickly discovered that various energy lobbyists' wish lists had actually become Bush administration policy. “If what this article was saying was true,” Anderson recalled, “I couldn't believe that more wasn't being done about it.”

So Anderson, a North Carolina native and second-year law student at St. John's University in

Queens, New York, began combing the Internet for public records. He wanted to create a site that offered the cold, hard facts on the Bush administration without the media's dizzying spin and counterspin. What Anderson found, buried throughout the Web sites of government departments and watchdog nonprofits, were primary documents—e-mails, internal memos, and reports—that exposed some of the worst moments of the Bush administration. So he created a Web site, Outragedmoderates.org, and put them online. “The documents don't even require explanation,” Anderson explained. “All I have to do is post them on the site and they make my point for me.”

Thus far, the site has not attracted the attention of the American political press. But it has caught the eye of technology magazines like *Wired* and the technology sections of big-time European media outlets like *The Guardian* and *Le Monde*. The reason? As well as posting primary documents on his Web site, Anderson shares them over peer-to-peer file-sharing programs like LimeWire and KaZaA, programs that are usually used to illegally download music or movies off the Web. The possible consequences are startling: Now, the millions of people who every day download songs off the Internet have easy access to some of the most important—but usually extremely hard to find—documents making the case against Bush and his cronies. For people in search of new music and the erosion of American democracy, Anderson offers one-stop shopping.

—ROB ANDERSON



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PATIENTS TO FEDS: "Hands off our medical marijuana." The Court agrees -- it's up to the states.

On September 23, 2002, Mike and Valerie Corral's medical marijuana hospice near Santa Cruz, California, was raided just before dawn by federal agents. They were held at gunpoint while their co-op garden was destroyed.

The raid sparked outrage from Santa Cruz officials because the co-op was a text book example of what California's medical marijuana laws were supposed to allow: a safe place for the sick and dying, with a common garden, where the patients could care for each other. The city, county, and the co-op sued the federal government.

On April 21, U.S. Circuit Court Judge Jeremy Fogel barred the Justice Department from interfering with the Corrals, their 250 fellow patients, or their marijuana garden.¹ Judge Fogel cited *Raich v. Ashcroft*, the recent Ninth Circuit decision that found the federal government has no jurisdiction over patients who grow their own plants.²

The latest government study says, "cannabinoid drugs might offer broad spectrum relief not found in any other single medication."³ A TIME-CNN poll shows that 80 percent of Americans support medical marijuana for the seriously ill.⁴ Isn't it time for the federal government to catch up with science and the people?⁵

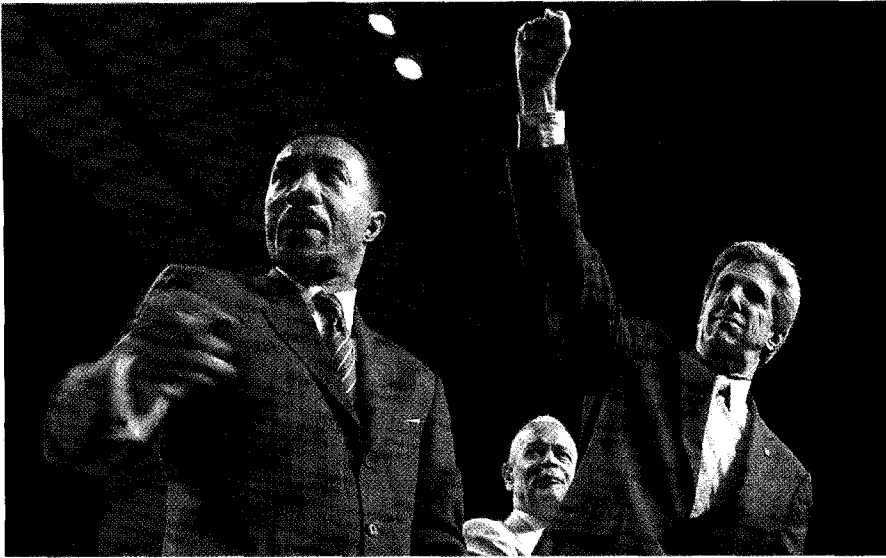
CommonSenseDrugPolicy.org, DrugWarFacts.org, MedicalMJ.org

Mike Gray, Chair; Robert Field, Co-Chair 717-299-0600

1. Santa Cruz v. Ashcroft, C-03-1802JF 2. Raich v. Ashcroft 9th Cir No 03-15481 3. "Marijuana and Medicine" Inst. of Medicine, 1999 4. TIME Nov 4 2002

5. To help, contact Americans for Safe Access www.SafeAccessNow.org 888-929-4367 or WAMM at www.wamm.org 831-425-0580

Dispatches



He Ain't Heavy: Kerry with Kweisi Mfume (left) and Julian Bond at the NAACP Convention, July 15

Non-Native Son

In Massachusetts, John Kerry never had to worry about the (small) black vote. This November, he'll need a huge black turnout. Can he connect?

BY MARK GOLDBERG

THE STAKES COULD NOT HAVE BEEN higher for John Kerry as he appeared before the NAACP's 95th annual convention in Philadelphia on July 15. In the few months prior, his campaign had been the subject of sharp criticisms from prominent black leaders throughout the country. In May, Donna Brazile chided Kerry for not including enough African Americans in his campaign's highest rungs. And, on the same day as Kerry's NAACP speech, members of the Congressional Black Caucus went public with their collective disappointment over his \$2 million black-media blitz.

This was Kerry's chance to put those criticisms to rest. President Bush had just snubbed the group by declining an invi-

tation to speak, and this was Kerry's moment to steal. Well aware of the criticisms he faced, he tried to convince the crowd that he feels their pain. "When I look around neighborhoods and towns and cities across this nation, I see exactly what so many of you see every day, and what some of our leaders in Washington seem to be blinded to. I see jobs to be created for all Americans. I see families to house. I see violence to stop. And I see children to teach and children to care for."

Kind words, and they were met with a rousing ovation. But beyond his careful rhetoric, Kerry is struggling so far to connect with black audiences and hasn't yet generated the kind of enthusiasm for his candidacy that one would expect in such

a polarized political moment. A BET/CBS News poll of African American voters conducted shortly before his NAACP speech found that most black voters had only lukewarm feelings for Kerry, most respondents claiming mere "satisfaction" with his presence atop the national ticket.

This, partly, is a problem of comportment—and, inevitably, comparison to you-know-who. Kerry's stolid personality stands in stark contrast to Bill Clinton's exuberant charisma. But beyond personality, Kerry's relationship with black voters can be understood as the product of a lifetime spent navigating his way through Bay State politics. Unlike Clinton, who had to work the black areas of Arkansas hard to succeed at the state level, Kerry has never had to assiduously court the black vote. Massachusetts, after all, is only 4 percent black. "Even as Kerry runs for national office," said James Glaser, a political-science professor at Tufts University outside Boston, "his political instincts and sensitivities naturally reflect that of a white Democrat from Massachusetts."

Kerry's political fortunes have never before hinged on black voters, but this November, they very well might. Could his greenness with the black vote jeopardize his run for the White House?

TO BE SURE, AFRICAN AMERICANS ARE unified behind the Democratic ticket. In all likelihood, Kerry will meet or surpass Al Gore's 90 percent share of the black vote in 2000. The question, however, is not *what proportion* of the black electorate opts for Kerry. Rather, to succeed, Kerry must generate a turnout that exceeds that of the 2000 election, particularly in Missouri and Florida.

A Democratic double whammy in those two states would all but seal the election for Kerry. The 2000 election in Missouri was decided by just 3 percent-

age points, or about 79,000 votes. That year, 86,000 registered voters from predominately black precincts in Kansas City and St. Louis failed to make it to the polls on election day. A higher turnout solely among registered black voters could have tipped that state for Gore.

In Florida, the black voting-age population is more than 1.5 million people. In 2000, turnout of black registered voters was nearly 60 percent. That's a high number, but it still means that more than 600,000 registered African Americans didn't vote in 2000. If Kerry could inspire but a fraction of this remaining 40 percent, he could very well take Florida—and the rest of the country with it.

David Bositis, a senior research assistant with the Joint Center for Political and Economic Studies, believes that Kerry can inspire a large turnout and argues that his perceived problems in attracting black voters are just that—perceived. "I'm not a 'seems to be' person," Bositis said at the start of our conversation. "I go by the numbers." Bositis published an exhaustive survey of black voting trends in both the 2000 election and in this year's primaries. In primary states with a large African American population, Bositis found that Kerry's share of the black vote averaged 10 percent higher than that of his white vote. "John Kerry was the overwhelming choice of black voters in the primaries," Bositis told me. "He won a plurality of the black vote in every primary except South Carolina. In Georgia, the primary that effectively sealed Kerry's victory, he received 61 percent of the black vote."

Then, of course, there's the argument that black turnout will be driven not chiefly by Kerry but by the other guy. Fresh from the convention and enthusiastic about his party's prospects, Chaka Fattah, a member of the Congressional Black Caucus from Philadelphia, relayed to me his confidence that black anxiety and frustration with George W. Bush will inspire black voters to rush to the polls. "Bush is so far out of the mainstream," he said. "That will drive turnout."

Fattah also senses that pieces of a massive election-day ground war are falling into place, such as the work of the liberal "527s" like America Coming Together (ACT) that are at the forefront of get-out-the-vote efforts nationwide.

In Missouri and Florida, ACT has undertaken one of the largest African American voter registration drives in those states' histories. "We are going into black precincts, knocking on doors, and letting voters know we care about their issues," said Joy-Ann Reid, a spokeswoman for ACT Florida.

Still, there's one thing that even the best GOTV operations can't substitute for: the presence of the candidate himself. As one local organizer told me, "He needs to come down to Florida's black communities, talk to some of our smaller neighborhood associations, identify some local opinion leaders, and just sit down with us for a while. It's nothing special, but a little get-to-know-you session would make a whole lot of people feel better about voting."

The need for Kerry to personalize his relationship with the black community is a sentiment heard across a broad spectrum of black voters. He has yet to show any originality, for example, in reaching out to young blacks, who are by far the most politically independent group of black voters. Only 50 percent to 60 percent of African Americans aged 18 to 25 identify themselves as Democrats. "This is a figure that should shock Kerry into action," said Ronald Walters, a political scientist at the University of Maryland, College Park.

There is, however, a brewing political consciousness among young black people. But so far Kerry has done little to tap into it. "He just hasn't reached out to the movement yet," said Jeffrey Johnson, the vice president of the Hip-Hop Summit Action Network, a non-

partisan coalition of entertainers, civil-rights advocates, and youth leaders. In referring to the popular music-video program on Black Entertainment Television, Johnson continued, "Something as simple as Kerry appearing on *106 and Park*, not necessarily to give a speech but to have a dialogue and listen to young people's concerns—that would make a huge impression."

While Kerry's problems in exciting African American voters are partly stylistic and born of African Americans' general lack of acquaintance with him, part of it is also policy—and here, at least, he seems to be improving. In July, prominent black politicians and academics sounded complaints that Kerry lacked a defined urban agenda. Among others, Detroit Mayor Kwame Kilpatrick expressed concern that Kerry was failing to address urban issues with the kind of specificity that relays to voters an empathetic concern for the problems of poverty and violence that plague inner cities. To his credit, Kerry heeded these calls, and in his July 22 address to the Urban League, the candidate laid out a clear urban policy that spoke in detail about the federal programs his administration would expand to meet the needs of the inner cities.

Kerry's progress on this front is a hopeful sign, and reflective of what one African American who worked on Kerry's 1984 and 1990 Senate campaigns told me about Kerry's relationship with black voters: "I know John. Once you tell him something, he gets it."

In an election as hard-fought as this one, he'd better. ■

A More Perfect Union?

Tony Blair was the first British PM to take the European Union seriously. But then came Iraq. Now, the dissension is playing out all over Europe.

BY SAM NATAPOFF

THE IRAQ WAR HAS QUIETLY BUT fundamentally changed the course of the European Union. If in recent years Britain, France, and Germany—the EU's three most important states—had cre-

ated a delicate and unprecedented harmony over Europe's future, Britain's decision to join the war destroyed it. This dissension is playing out all over Europe: French senatorial elections this

month will articulate visceral anti-Americanism that calls for combating U.S. power with EU centralization, and this America-bashing has further distanced Britain from its neighbors.

Due to its importance, history, and position as Europe's financial capital, Britain is vital to the European Union's future. Yet Britain has always been ambivalent about European unity because of its centuries-long attachment to the idea of "splendid isolation." In 1955, an early British EU negotiator reportedly offered the classic British view of EU institutions: "Gentlemen, you are trying to negotiate something you will never be able to negotiate. But if negotiated, it will not be ratified. And if ratified, it will not work." In addition to this skepticism over Europe, Britain has also repeatedly chosen its "special relationship" with the United States over a more intimate relationship with the European Union.

Prime Minister Tony Blair was the first British leader to fully commit to Europe. In 1997, he rejected the traditional disdain, declaring Britain's future to be in leading a united Europe. Defying the conventional wisdom of a majority of his countrymen and political colleagues, Blair favors adoption of the new European currency and has quietly advanced EU integration at home, which surprised Britons and delighted his EU counterparts.

The Iraq War changed everything. By supporting George W. Bush and sending troops, Blair implicitly reneged on his commitment to EU unity, choosing the traditional Washington alliance over the wishes of his new allies in Paris and Berlin. As German Foreign Minister Joschka Fischer explained, "We all know that this is about the question of Iraq, but it's also about the question of Europe." This decision was strongly opposed at home; it severely damaged Blair's domestic position and undermined his credibility with the British people. As a result, his ability to pursue further EU integration has been sharply and perhaps irrevocably curtailed. It is ironic that Blair, Britain's most "European" prime minister, has had his electoral and political future irreparably damaged attempting to maintain Britain's special relationship across the Atlantic over a war in the Middle East.

Given Blair's striking Europeanist commitment, his support of the United States and not the European Union regarding Iraq represents a serious setback for EU development in general. As none of Blair's potential successors in either major British party is as committed to EU integration as he is, his political debilitation may be a real obstacle to further EU progress. This renewed intra-EU hostility has already had significant European political ramifications. French President Jacques Chirac aggressively opposed the Iraq War and called eastern European states "childish" and "irresponsible" for supporting it. A February 2003 poll showed that more than three-quarters of the French people considered his actions "courageous," and Chirac was short-listed for the 2003 Nobel Peace Prize. German Chancellor Gerhard Schröder won a narrow re-election victory in 2002 on the Iraq issue, explicitly refusing to take part in any U.S. military "adventures," and at a June 2004 EU summit, he shouted to Blair that their relationship was "finished."

These hostilities have had explicit consequences for recent EU negotiations. First, in talks about a new EU constitution, finalized in June 2004, British officials had initially appeared committed to the larger European project. After Iraq, however, these negotiators appeared far more skeptical, demanding opt-out clauses over asylum, migration, and judicial policies in an attempt to protect Britain from the treaty rather than to commit to it. These disagreements became public in June when Chirac and Schröder attacked Blair for putting Britain's national interests before European interests, with Chirac accusing Blair of thwarting the constitution's very goal of moving toward ever-closer integration and ending the veto as a device to block progress. Britain responded that decisions over Europe's future had to be made by all 25 EU members, not by "six or two [Germany and France] or one [France]."

The new constitution's main achievement had been to extend qualified majority voting (allocating EU voting power based on a nation's population size rather than simply one vote per country) to several areas of European policy, rather than requiring unanimity. Britain, however, prevented the extension of this broader voting arrangement to key spheres in-

cluding taxation, defense, and foreign policy, thus maintaining a veto in these areas for every EU state and preventing the constitution from becoming more wide-ranging. For example, the constitution allows for a European public prosecutor, but as a result of (mainly) British objections, he or she is limited to investigating fraud regarding EU funds, and cannot investigate other serious cross-border criminal cases.

The EU constitution, however, was not the only point of contention. In June 2004, Britain squared off with France and Germany again over the selection of the next president of the European Commission—the EU's executive branch. Britain's candidate called for a European Union of more circumscribed powers, while France and Germany's candidate had a far more centralized and expansive view. Both sides vetoed the other's choice. A hostile stalemate prevailed, and several more candidates were rejected until Portugal's Jose Barroso was reluctantly accepted as the least offensive candidate to both sides, nicknamed "Mr. Nobody" by British tabloids.

The Iraq War also polarized Turkey's application for EU membership. Prior to the war, Turkey's application hinged on several issues, including sufficient progress on human rights and the judiciary, as well as several EU members' reluctance to integrate a Muslim state into the union. Already delicate, the membership negotiation was made more controversial when the government of Turkey, a NATO member and a traditional U.S. ally, initially offered to let Bush use Turkish bases in case of war with Iraq, incensing the anti-war EU states (the Turkish parliament vetoed the offer). Thereafter, in June 2004, Bush publicly called upon the European Union to accept Turkey's application. This enraged Chirac, who publicly told Bush to mind his own business. Today, Britain and the United States support Turkey's application as a longtime ally, while France and Germany reportedly still have reservations.

This EU schism cannot be laid at Britain's doorstep alone, though. The United States played a key role in creating it, both by invading Iraq and, more generally, by its shift in attitude. The U.S. view of European unity has had a

long and complicated history. Following World War II and with the Soviet Union looming, the United States saw the nascent European Union as a bulwark against instability, and it supported the Franco-German efforts to create new European institutions. In addition to the munificence of the Marshall Plan, in 1952, Secretary of State Dean Acheson expressed the strong U.S. support that “the political and economic unification of Europe warrants.”

However, with the end of the Cold War, the United States began to see the European Union more as a competitor than an ally, a process President Bush has accelerated. His increasing willingness to choose unilateral action over multilateral action found expression in withdrawing the United States from the Kyoto Protocol, the International Criminal Court, the Anti-Ballistic Missile Treaty, and the Nuclear Test Ban Treaty. During a 2003 press conference, Defense Secretary Donald Rumsfeld gave a speech that divided the European Union into “old Europe” (France and Germany) and “new Europe” (Atlanticists) on the question of invading Iraq. Cherishing their independence, many EU states considered this an act of insensitive U.S. in-

tervention in internal EU affairs that ignored the union’s overall integrity.

This rupture may pose near-term problems for the EU’s future. But it also represents an opportunity. The old powerhouses—Britain, France, and Germany—are now facing a structural challenge from a more responsive and democratic Europe. The days of tripartite domination are over. As a result of the new constitution, future EU decisions will require the agreement of more than half the EU member countries, not simply a few. The new constitution has markedly reduced both Britain’s ability to unilaterally prevent integration and France and Germany’s capacity to dictate the EU’s direction. In fact, the bitter dissension over the Iraq War may have illustrated not simply the rifts between the major EU states but also the way forward for the EU as an evolving whole. ■

SAM NATAPOFF, a former Clinton-administration appointee, has worked at the European Parliament, the European Central Bank, and the German Bundesbank. Having completed his doctorate in political science, he is writing a book on the politics of exchange rate coordination.

have to be.”

The 29th District, which runs from the southern-tier region along the Pennsylvania border to suburban Rochester, has been strongly Republican since 1860, says Caleb Rossiter, an American University professor who ran as a Democrat for the seat in 1998 (and got trounced by incumbent Republican Amo Houghton). In 2000, George W. Bush won 53 percent of the vote, his “strongest district in the state,” according to *The Almanac of American Politics*.

A Democrat last won a congressional race here in March 1976. Stan Lundine, who eventually became New York’s lieutenant governor, won in a special election after James Hastings was convicted of mail fraud.

“It’s hard for me to see whether any Democrat could win. I know it’s possible but, to be honest, I was lucky,” Lundine says.

For the past 17 years, the seat has been held by the 77-year-old Houghton, the only former CEO of a Fortune 500 company (Corning Glass Works) to serve in the House. Houghton announced on April 6 that he wouldn’t run again and has endorsed a Republican state senator, John R. “Randy” Kuhl Jr., 61, a veteran of New York politics, according to Houghton’s chief of staff, Bob Van Wicklin.

Barend has her own track record. As a Capitol Hill intern, she helped write sections of a transportation bill that sought to upgrade Route 17 into an interstate, an age-old dream of southern-tier economic-development mavens. After the bill was passed, \$50 million in federal funds was funneled into the district. In addition, she has fancy donors, seven full-time staffers, and is, as we know, hardheaded.

BAREND’S CAMPAIGN HEADQUARTERS on East Market Street is filled with the usual debris: cardboard pizza boxes, dusty keyboards, and bags of “Plastic Patriotic Bunting.” Unlike most campaign offices, though, this one is located in a former Community Bank with two vaults, sealed by 7-and-a-half-inch steel doors. And, unlike most neophyte candidates, she’s raised a hefty amount to stash there: \$171,000.

Indeed, Barend has more money than

One to Watch

If she wins this fall, Samara Barend will be the youngest congresswoman ever, and something nearly as rare: a Democrat from upstate New York.

BY TARA MCKELVEY

CORNING, N.Y. — SAMARA BAREND, A 26-year-old congressional candidate in New York state, is barreling along in a Buick Rendezvous on a recent Friday when “an even bigger SUV,” as her campaign spokesman-cum-driver, Don Weigel, put it, nearly sideswipes her car.

Barend looks shaken, but it’s not the first time she’s had a mishap on the campaign trail. On the morning of January 22, 2004, Barend was on the same highway—a four-lane expressway, Route 17, designated the “Future I-86”—on her way to New York City to meet with Abigail Disney, past president of New

York Women’s Foundation, when she got into a “horrible accident.”

“I hit a pothole, and my car was completely totaled,” Barend says.

Somehow, she persuaded the ambulance driver to drive her to Monticello, New York, where she got on a Greyhound bus and rode to New York City. Her lunch in an Upper East Side restaurant was a success: Disney donated \$2,000 to her campaign. But that night, Barend went to Corning Hospital and discovered that she had a concussion.

“I had no idea,” said Disney. “Well, you know she’s tough. She’s going to

all of her opponents combined. Kuhl has \$84,000, according to the latest Federal Election Commission filing. Mark Assini, the favored candidate of the anti-tax organization Club for Growth, has raised \$62,000. Jeremy Alderson, a lefty Dalton School graduate and former nightclub performer known as "Joshua the Stripping Philosopher," has raised \$1,200. (The field will be narrowed after a September 14 primary.)

Barend's list of supporters reads like the *New York Post's* Page Six. Hillary Clinton counseled her on entering the race. Howard Dean named her a "Dean's Dozen" candidate. Individual donors include Marie Wilson, president of the White House Project, a nonpartisan organization that advances women's leadership; Swanee Hunt, former ambassador to Austria; Daniel Glickman, new president of the Motion Picture Association of America; and pollster Celinda Lake.

"ASPHALT AND CONCRETE HAD NEVER been my passion growing up," says Barend, sitting at a rest area along the highway she helped build. She's wearing a pinstriped suit and has dark hair and liquid brown eyes that give her a southern European look—though, as she explains, she comes from sturdy German-Czech stock.

A track-and-field star in high school, Barend used to get exercise and diet advice from her dad, Harold, the owner of a health club, Energetics Inc., in Vestel, New York. Then, in the mid-1990s, IBM and other large companies pulled out of the area, leaving small-business owners like her father in the lurch. He closed Energetics in 1996.

The area is still depressed. The per capita income in Steuben County was \$27,058 in 2001, according to the U.S. Department of Commerce—well below the statewide average of \$35,878. Another indicator of economic duress—child abuse—plagues Chemung County, which has the state's highest rate, according to the state Office of Children and Family Services.

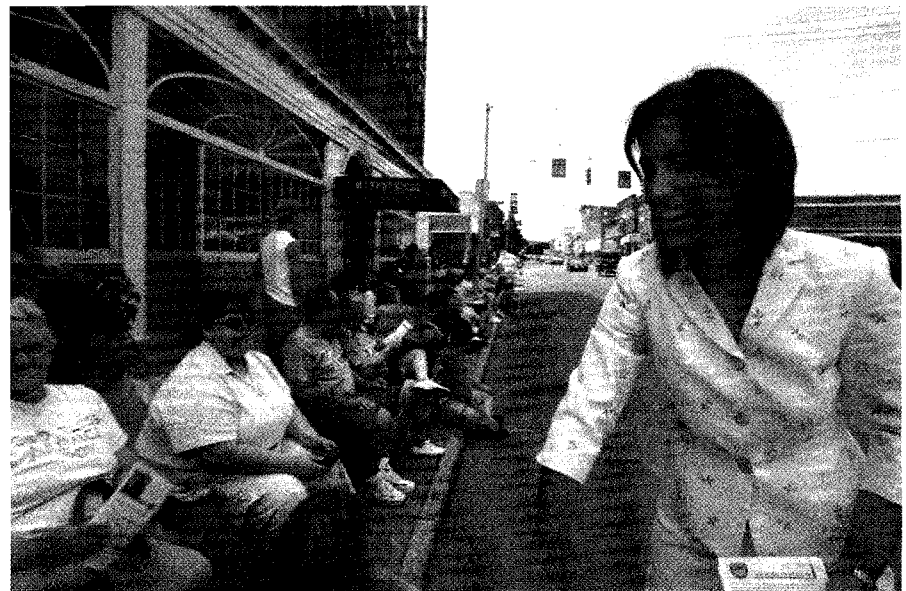
"I decided to become engaged in politics to figure out how to make the area more competitive economically," Barend says. "It seemed to me that all the money was going to New York City."

To that end, she took a job as an in-

tern for U.S. Senator Daniel Patrick Moynihan in June 1996, and, shortly afterward, met him at a hotel banquet.

"I told him how badly I wanted to get the economy going. He said, 'Look into the southern-tier expressway. Get me a memo by 5 o'clock tomorrow.' As I was leaving the hotel, I thought, 'Is he joking?' I saw him getting into his limousine, and he pointed his finger in the air and said, 'I want that memo by 5 o'clock!'"

With the help of the late senator's public-works adviser, Alexandros Washburn, she tracked down a 1955 New York State Department of Transporta-



Upstate Girl: Samara Barend on the stump in Wellsville, New York

tion map that showed a proposed highway route.

"The map had been ignored," explains Washburn. "The senator thought that's why the southern tier missed out on economic development while the rest of the state prospered."

That afternoon, Barend turned in a three-page memo—and waited. For weeks. Finally, she saw Moynihan in the hallway and mentioned the report. It was obvious he'd never seen it. "He stormed back into his office and said, 'I want that memo!' I felt a sense of poetic justice," she explains. "At the same time, I stood close behind him—out of fear."

And while still "a slip of a girl—18 or 19," as a senior legislative assistant, Arnold Kupferman, describes her, she worked on the T21 bill, which was passed in June 1998 and appropriated

billions into U.S. transit projects, including a chunk for the southern tier.

If Barend wins in November, she'll be the youngest woman ever elected to Congress, says Erin Vilardi, a White House Project research coordinator. Voters are anxious about Iraq and the economy, experts say, and these issues may help propel Barend into office. As Josh Kurtz writes in *Roll Call*, she's "moved from the longest of long shots and become one of state and national Democrats' favorite upset possibilities."

DeWayne Lucas, an assistant professor at Hobart & William Smith Colleges in Geneva, New York, explains, "In gen-

eral, people here are supportive of our troops in Iraq. But there are a significant number of war dead. And people are asking themselves, 'Is it a safer world now?'"

In addition, Steve Pigeon, former Erie County Democratic Party chairman, says people in rural areas are looking "skeptically at what they got out of Congress."

No wonder people like Susan Myers, a Republican legislator in Allegany County, admire Barend. Her success in upgrading the highway has helped bring the district businesses, jobs, and even a freight line missing since the Gulf War.

"It's wonderful to hear the train whistle again," says Myers.

As Barend explains, "This is an area where people have lacked hope for a long time. That's what my campaign brings: a glimmer of help. Well, more than a glimmer. A big ray of light." ■

The Facilitators

BY ROBERT S. MCINTYRE

Do our big accounting firms deserve some of the blame for the demise of a free press, and even democracy itself, in Russia? This thought first occurred to me when I stumbled on the fact that PricewaterhouseCoopers (PwC) is the accounting firm for

Yukos, the huge, troubled Russian oil company. As has been reported, Yukos' principal owner is now in jail on massive tax-evasion charges, other corporate officers have fled the country to escape arrest, and the company's potential bankruptcy has helped push up the world price of oil to record highs. The plot thickened when I discovered that Yukos' ownership runs through a chain of tax havens, leading ultimately to a post-office box in tiny Gibraltar. That shell company's auditors include not only PwC but also KPMG and Ernst & Young—two other U.S. accounting firms neck deep in helping U.S. corporations use offshore tax shelters to hide their income from the Internal Revenue Service.

But let's back up a little.

After the Soviet Union collapsed in the early 1990s, U.S. public-policy entrepreneurs flocked to eastern Europe to teach the former communists the virtues of the free market. In Russia, such tutoring eventually helped produce a flat-rate personal income tax, a national sales tax, and a Russian corporate income tax so full of loopholes that you could drive a truck through it—or so its designers thought.

Even as these and other regressive tax laws were being enacted, the business assets of the former Soviet state were grabbed by the most ruthless Russians, with the blessing of the government. One of the biggest prizes was Yukos, which fell into the hands of Mikhail Khodorkovsky and a few other well-placed Russians.

With the help of Western advisers, Khodorkovsky set up a new ownership structure for Yukos. He took the company public, but he retained most of the stock for himself and a few allies, using layers of shell corporations set up in tax havens such as Cyprus and the Isle of Man. At the top of the heap sits "Group Menatep," whose Gibraltar "office" is actually the post-office box of a tax-shelter agent. KPMG has an office in the same building, and PwC and Ernst & Young have ones nearby.

Menatep also owns a Russian bank, among other Russian companies, and engages in worldwide investment

and hedging activities with the help of U.S. firms like the Carlyle Group and Blackstone Group.

Yukos' offshore companies were designed to help its owners avoid personal taxes and move money out of Russia. At the same time, Yukos arranged to avoid its corporate taxes by setting up shell companies in regions of Russia that supposedly could offer tax exemptions, then artificially shifting Yukos' profits into those shell companies. In effect, Yukos pretends to pump and refine oil in parts of Russia where that's as impossible as on the Rock of Gibraltar.

This is both sinister and sadly familiar. Not content with undermining the U.S. tax system, our accountants have exported their tax-sheltering skills so that even former godless communists can evade taxes just like churchgoing American corporate chiefs.

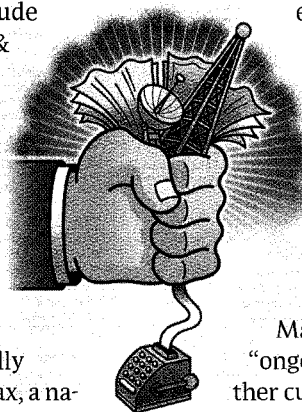
For a while, it seemed so easy. As recently as May 2003, Yukos' annual report bragged that PwC's "ongoing review of tax strategy" would allow it to further cut Yukos' tax payments. Then the party ended.

Starting in the summer of 2003, Russian tax authorities, who had previously turned a blind eye to Yukos' tax evasion, began to crack down. So far, Yukos has been charged with evading \$1.6 billion in taxes in 2000 and 2001, and experts think the total assessment may rise to as much as \$10 billion, including penalties. Khodorkovsky now sits in prison awaiting trial.

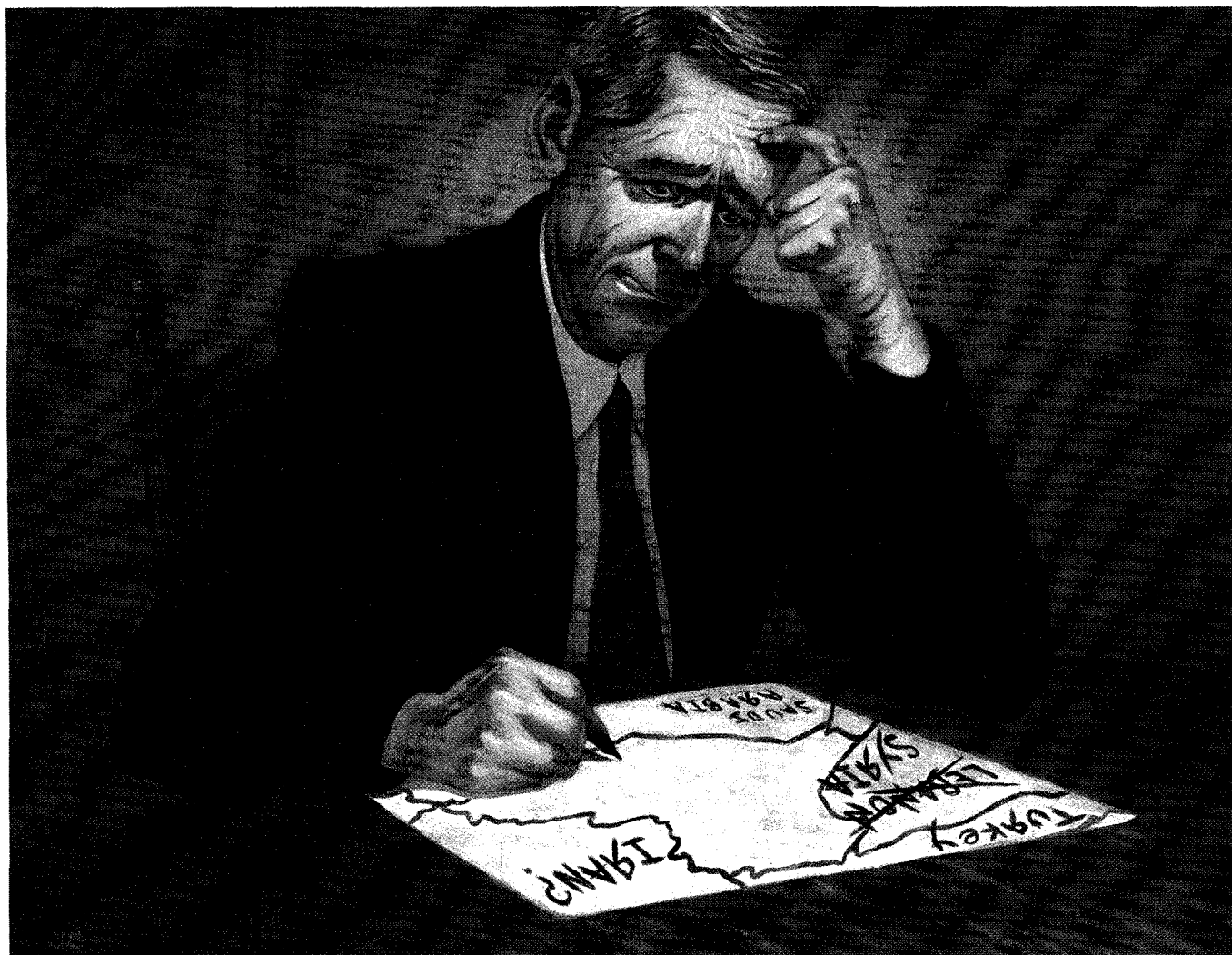
Yukos came under attack primarily for political reasons. Russian President (and former KGB head) Vladimir Putin has been on a mission to crush dissent and restore as much as possible the one-party state of the old Soviet Union. In Putin's eyes, Yukos' mortal sin wasn't tax evasion—after all, other Russian companies were just as crooked, if not worse—but Khodorkovsky's support for opposition candidates.

But that doesn't excuse our accounting firms. Their nefarious facilitation of blatant tax evasion, not only by Yukos but by Russian corporations generally, gave Putin a legally defensible way to achieve his even more nefarious ends. ■

ROBERT S. MCINTYRE is the director of Citizens for Tax Justice.



PETER HOEY



The Brains Thing

Three years of watching Bush makes the point: Intelligence matters more than “character.”

BY MATTHEW YGLESIAS

REMEMBER THE 2000 ELECTION? WITH THE COUNTRY ENJOYING a seemingly endless spell of peace and prosperity, and no apparent daunting challenges facing the next chief executive, the media were finally granted the chance to construct a narrative entirely around personalities. Al Gore, based on a handful of small exaggerations and his association with the occasionally sordid behavior of Bill Clinton, was said to have a character problem. George W. Bush, meanwhile, was haunted by a lack of experience and intelligence.

This left liberals flustered. Most of Gore’s “lies” were, in fact, nothing of the sort; he was, upon examination, not the same person as Clinton; and finally, his Vietnam experience—he enlisted in the Army upon graduation from Harvard—contrasted favorably with his opponent’s. But liberals never

figured out how to convert these facts into a character argument on Gore’s behalf. Conservatives, on the other hand, had a ready answer to the charges leveled against their standard-bearer: Intelligence didn’t matter. A president, after all, is assisted by a cabinet, White House aides, and a staff that numbers in the thousands. Surely those people could help him out when he needed to know the name of the president of Pakistan or run some numbers on a tax bill. Even George Will, who in August of 1999 fretted about Bush’s “lack of gravitas—a carelessness, perhaps even a recklessness perhaps born of things having gone a bit too easily so far,” wrote the following January that he was prepared to have his “doubts about Bush’s intellectual weight and steadiness” be alleviated by an appropriate vice-presidential selection. Dick

Cheney, he suggested, was just the man for the job, and later that year Will became a happy camper.

Liberals unanimously believed that Bush was not up to the intellectual challenges of the job. But fearful of re-enforcing a stereotype of left-wing elitism, they time and again shied away from pressing the argument. With the point thus conceded, Gore fought things out on the enemy terrain of character. To the Bush campaign's promise to "restore honor and dignity to the White House," Gore had no real reply—except to put as much distance between himself and the incumbent as possible. Thus the country was treated to the strange sight of a vice president essentially disavowing his popular, rhetorically brilliant, and largely successful predecessor. Joe Lieberman was put on the ticket, and the campaign reached its high point when Gore made things *really* clear by delivering an ostentatious kiss to Tipper on national television at the convention. *This*, the campaign said, is a candidate who truly loves his wife, not at all like that other guy. But ultimately, character—at least as defined by the Republicans and, more important, the media, who happen to be the ones who do the defining—isn't a point on which a Democrat can win.

With Bush in office, liberals dropped the intelligence critique altogether. In a March 13, 2001, "Memo to George W. Bush's political opponents," E.J. Dionne Jr. called for "a moratorium on calling the president of the United States stupid." Doing so underestimated his potential for political success and, worse, was counterproductive, bolstering Bush's "regular guy" appeal and distracting attention from the baleful distributive consequences of his tax policy. And there things stood until September 11, 2001.

If ever there was a moment when the country might have been called to question whether it was well-served in a time of crisis by a leader with scant knowledge of the relevant issues, it was then. Instead, things merely got worse. Intelligence was off the table entirely, while character became the cult of moral clarity, a transformation well expressed by former Bush speechwriter David Frum in his memoir. After the attacks, he wrote, he realized that "Bush was not a lightweight." Instead he was "a very unfamiliar type of heavyweight. Words often failed him, his memory sometimes betrayed him, but his vision was large and clear. And when he perceived new possibilities, he had the courage to act on them—a much less common virtue in politics than one might suppose." With the nation reeling from attack, the thirst for a strong leader was palpable, and so the press obliged by constructing Bush into one. Lacking the conventional attributes of a skilled—or even competent—chief executive, he became, as Frum put it, an "unfamiliar type of heavyweight."

And now, more than a few of Bush's usual opponents agreed. Richard Cohen, part of a small army of liberal commentators who would eventually find themselves following Bush into Baghdad, wrote in his December 18, 2001, column that "I applaud whenever George Bush issues one of his dead-or-alive pronouncements" and denounced those, "invariably on the political left," who "upbraid him for his supposed childishness." Unlike his critics, Bush had a Reagan-like "moral clarity" about the struggle; and that, rather than any childishness, was the important point.

Such was the mood of late 2001. On October 20, *The New York Times* reported that "many Democrats who once dismissed Mr. Bush as too naive and too dependent on advisers to steer the United States through an international crisis are now praising his and his advisers' performance. Some are even privately expressing satisfaction that Mr. Gore, who tried to make his foreign affairs experience an issue in the campaign, did not win." Gore "may know too much," said one anonymous former Senate Democrat quoted by the *Times*.

Three-plus years later we know better, or at least we should. Intelligence matters. The job of the president of the United States is not to love his wife; it's to manage a wide range of complicated issues. That requires character, yes, but not the kind of character measured by private virtues like fidelity to spouse and frequency of quotations from Scripture. Yet it also requires intelligence. It requires intellectual curiosity, an ability to familiarize oneself with a broad range of views, the capacity—yes—to grasp nuances, to foresee the potential ramifications of one's decisions, and, simply, to think things through. Four years ago, these were not considered necessary pieces of presidential equipment. Today, they have to be.

THE MOST EGREGIOUS CONSEQUENCES OF BUSH'S LACK OF intellectual curiosity have come in regard to foreign policy. But domestic policy making has suffered, too. Indeed, Bush's disengagement has arguably been *more* severe in this arena. Abroad, one can at least say that Bush made some choices he believed at the time to be the right ones. But on the home front, the president's lack of commitment to *any* idea (beyond a blind faith in the power of tax cuts to cure all) has turned the policy process into a joke and consistently marginalized serious analysts in favor of the entirely political counsel proffered by Karl Rove and other hacks. "It's the reign of the Mayberry Machiavellis," as former faith-based-initiatives coordinator John DiIulio famously put it.

The result is a record that has literally no defenders outside the ranks of professional GOP spinners and the corporate lobbyists who've profited enormously from Bush's malgovernance. I speak regularly with independent conser-



Sigh: In 2000, the media built its narrative wholly on personality.

vative analysts and intellectuals in Washington's many think tanks. Among them, the closest one gets to a defense on the merits is to say that the nonsensical combination of tax cuts and new entitlement spending, of free-trade deals and shrimp tariffs, is trivial compared with the importance of the war on terrorism. Sometimes I'm told that this is just what needs to be done to win the election. The second term, optimistic conservatives say, will be better. Most often I'm just told that the Democrats will be even worse.

But no one tries to assert that Bush is a deeply engaged decision-maker. In fact, the known record suggests that he takes the advice of the last person he listened to, whether that person was making sense or not, and his advisers understand it as their responsibility to jockey to be that person. The mechanics of this farce were well-expressed in an underreported memo written by Kent Smetters for former Treasury Secretary Paul O'Neill. O'Neill gave the memo to Ron Suskind, who made it available on his Web site. The date was October 25, 2001—just five days before the president was scheduled to meet with the chairs of the commission he had appointed to devise a plan to partially privatize Social Security. The memo recounted the president's campaign promise to create a system of voluntary private accounts, noting that such questions as "what the president meant dur-

plan removed from the president's briefing, forcing him to choose between realistic options.

Ultimately, Bush decided not to decide, and the White House dropped the whole thing, thus saving the country from a heaping pile of debt. On other issues, though, the policy people wouldn't be so lucky. Hence the series of narrowly targeted import restrictions aimed at winning votes in key swing states and opposed by the administration's economics shop. Hence the Medicare bill that infuriated health-conscious liberals and spending-conscious conservatives alike while winning plaudits from health-care lobbyists and GOP fund-raisers. Hence a decision on the stem-cell issue grounded neither in science nor religion but rather in electoral calculations, and a decision that Bush, supposedly boning up on science down in Crawford in the weeks before 9-11, was obviously ill-equipped to make [see Chris Mooney, "Cell Block," page 29]. Serious policy advocates simply have no chance of winning over a man who can't be bothered to listen closely to what they're saying. Instead, hacks and flim-flam men rule the roost.

BUSH'S MOST HIGH-PROFILE FOREIGN-POLICY FAILURE—the disastrously bad planning for the occupation of Iraq—provides a direct analogue to the domestic scene. The government did, in fact, do a lot of good work on the subject

The known record suggests that Bush takes the advice of the last person he listened to, and his advisers understand it as their responsibility to jockey to be that person.

ing his campaign by the word 'voluntary,'" or whether the president wants "to force the Commission to come up with one plan or allow multiple plans," had been left unanswered.

The key point of the memo, however, was that before the big meeting, Bush's team needed to know whether the president was "willing to live with benefit cuts (i.e., 'pain') like that called for by price indexing benefits." The basic dilemma facing any would-be privatizer is that under the present system, a worker's payroll taxes pay not for his retirement but for that of current retirees. Under a privatized system, your taxes would be diverted into an account that would be invested and from which you would draw your pension. Any attempt to switch between the systems, then, finds a current worker's tax dollars being promised both to the worker and to today's retirees. The only way to finance the transaction is with benefit cuts, tax increases, or some combination of the two. If the president is not willing to live with "pain," he can't privatize Social Security.

Larry Lindsey, however, believed he had devised a "free-lunch" plan where the transition could be financed by debt that could be repaid down the road through the high returns that would supposedly accrue to the private accounts. No one else in the government believed that the math behind this was sound, but the president—not understanding the relevant policy issues—seemed to. "Clearly," wrote Smetters, "the person who actually gives the president the verbal background briefing will play an important role in affecting the president's decision-making process." The important thing, he advised O'Neill, was to get all discussion of the Lindsey

under the auspices of the State Department's Future of Iraq Group. Rival analysis from Undersecretary of Defense Douglas Feith's office, however, suggested that the task would be much easier. A president prepared to read and understand complicated policy briefs would have seen that the Future of Iraq Group had it right. But the country didn't have a president like that. So yet again the path of expediency was chosen, with well-known results.

More typically, though, the president's intellectual infirmity affects national-security policy by creating paralysis, as his famously divided foreign-policy team is unable to agree on a common approach and the president is incapable of choosing one side or the other.

As a result, one of Bush's biggest foreign-policy disasters relates less to something he's done than to what he hasn't done: devise a coherent policy toward North Korea. The debacle began in March of 2001, with South Korean President Kim Dae-Jung scheduled to visit Washington. On the eve of the trip, Secretary of State Colin Powell told reporters that the new administration would pick up where the Clinton administration had left off: supporting Kim's "sunshine policy" toward the North and pushing for full implementation of the 1994 Agreed Framework under which North Korea abided by a stipulation not to build nuclear weapons in exchange for U.S. financial and energy assistance. The White House immediately contradicted Powell, giving us the first sign that something was amiss with the supposedly "grown-up" new national-security team and infuriating Kim. Administration hawks—led by Cheney and Donald Rumsfeld—didn't replace

the Powell-Kim-Clinton engagement policy with any real alternative; instead, they sought simply to talk tough and “isolate” North Korea, already the most isolated country on earth. Thus North Korea found itself featured in the 2002 State of the Union address as a charter member of the “axis of evil” (although this, the country later learned, was not a deliberate policy shift but simply a reflection of a desire to throw a non-Muslim country on to the list to allay fears that America was waging war on Islam). The hawks hoped that the regime would fall apart before it built nukes. Things didn’t work out that way.

North Korean President Kim Jong-Il concluded that because Bush clearly meant to invade Iraq, had broken off negotiations with his regime, and was now lumping the two together as “evil,” he might soon find himself targeted. The result—a result that even a moderately engaged chief executive would have foreseen—was a North Korean rush to acquire nuclear weapons that could deter U.S. invasion before it was too late. By October 2002, the State Department sent officials to Pyongyang to confront the regime with evidence that it had been acquiring centrifuges needed to make weapons-grade uranium. Instead of offering the expected denials, North Korean officials conceded that, yes, they had done just that. After some trans-Pacific name-

has yet paid the price for the North Korean fiasco or the emerging one in Iran, but down the road our strategic position is deteriorating with remarkable speed while we have not yet—and may never—make up for the opportunity squandered at the beginning of the Iraq War.

REVIEWING CLINTON’S *MY LIFE* IN THE JUNE 24, 2004, *LOS Angeles Times*, neoconservative Max Boot happily concluded that “conservatives like character, liberals like cleverness.” He’s right. But to state what should be obvious, the president is not your father, your husband, your drinking buddy, or your minister. These are important roles, but they are not the president’s. He has a job to do, and it’s a difficult one, involving a wide array of complicated issues. His responsibility to manage these issues is a public one, and the capacity to do so in a competent and moral manner is fundamentally unrelated to the private virtues of family, friendship, fidelity, charity, compassion, and all the rest.

For the president to lead an exemplary personal life is surely superior to the alternative. But within obvious limits—no one would want an alcoholic president, for example—it doesn’t really *matter*. Clinton’s indiscretions caused his family pain and produced awkward moments for the parents of some young children. But Bush’s bungling has gotten people

To state the obvious, the president is not your father, your husband, your drinking buddy, or your minister. These are important roles, but they are not the president’s.

calling, Pyongyang let the other shoe drop: Not only was it processing uranium (which could take years to be successful), it was also kicking out the weapons inspectors who, under the Agreed Framework, were safeguarding North Korean plutonium rods that could be turned into nuclear fuel within months.

The time had come for the president to do something about the situation. So he did exactly what we were assured during the 2000 campaign he would do: He asked his advisers. The problem was, they didn’t agree. Some were hawks and others more dovish, so Bush couldn’t make up his mind. As Fred Kaplan wrote in *The Washington Monthly*, Bush “neither threatened war nor pursued diplomacy.” Eighteen months later, with U.S. forces pinned down in Iraq and North Korea allegedly possessing several nuclear weapons, military options had to be taken off the table, and even administration hawks agreed that they had to pursue talks. Unfortunately, when you refuse to negotiate until you have no sticks left, it’s hard to get a good deal, and the United States now may be unable to secure a non-nuclear North Korea. And if we do get what we want, we will surely need to give up far more than we would have had we just negotiated in the first place.

Worse, as the *Prospect* goes to press, history is repeating itself in Iran, pace Marx, as tragedy all over again. Tehran is cheating on its international commitments, and the United States needs to do something about it. Some in the administration want to pursue engagement; others want a push for regime change. As before, Bush can’t decide what to do, and as time goes on, our options will only get worse. No American

killed in Iraq, saddled the nation with enormous debts, and created long-term security problems with which the country has not yet begun to grapple.

That the country should be secured against terrorist attacks, that deadly weapons should be kept out of the hands of our enemies, or that it would be good for a wide slice of the world to enjoy the blessings of freedom and democracy are hardly controversial propositions. But these things are easier said than done. Even a person of goodwill is by no means guaranteed to succeed. Yet succeed we must. And if we are to do so, the question of intelligence must be put back on the table. The issue is not “cleverness”—some kind of parlor trick or showy mastery of trivia—but a basic ability to make sense of a complicated, fast-changing world and decide how to confront it. Any leader will depend on the work of his subordinates, but counting on advisers to do the president’s heavy lifting for him simply will not do. Unless the chief executive can understand what people are telling him and follow the complicated arguments they may need to make, he will find himself paralyzed at every point of disagreement, or he will adopt the views of the slickest salesman rather than the one who’s gotten things right.

The price to be paid for such errors is a high one—it is, quite literally, a matter of life and death. Already we’ve paid too much, and the problems confronting the country are growing harder with time. Unless the media, the electorate, and the political culture at large can shift their focus off of trivia and on to things that actually matter, it’s a price we may pay again and again. ■

THE AMERICAN PROSPECT

A SPECIAL REPORT ON WORK AND INCOME

BRIDGING THE TWO AMERICAS

The politics of welfare, jobs, earnings, and families

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Bridging the Two Americas

IN THE PAST FOUR YEARS, THE INCOME OF THE MEDIAN family has fallen while the gap between executive pay and that of ordinary workers has continued to widen. Some of this trend is the result of deliberate Bush administration policies: tax cuts tilted toward the top, the defunding of social subsidies, the deregulation of corporate America, and the disempowerment of workers. But larger trends are also at work.

The fact is that America lacks a comprehensive policy either to ensure minimally adequate incomes for people at the low end of the labor market or to help them ascend career ladders. That's why so many millions of Americans are working full time and are still poor.

The absence of a systematic strategy to make work pay is more serious today because of the convergence of several long-term trends that leave working families more vulnerable than in the past. One such trend is the assumption that mothers of young children will be in the labor force, coupled with the gross inadequacy of socially provided or subsidized child care. Another trend is the weakening of "equalizing institutions"—everything from trade unions to regulated industries to adequate unemployment insurance. Yet another trend is the globalization of commerce, which exports many good jobs and disproportionately hurts workers with the lowest skills and the weakest bargaining power.

To some extent, the impact of these trends was masked in the late 1990s by the brief appearance of full employment. With very tight labor markets, even low-skilled workers could bargain for moderately better wages. Management, facing

labor shortages, was willing to invest more in training. The new, time-limited welfare system enacted in 1996, despite some draconian provisions, enjoyed a fortuitous rendezvous with a booming economy. The majority of people who left welfare were able to find work.

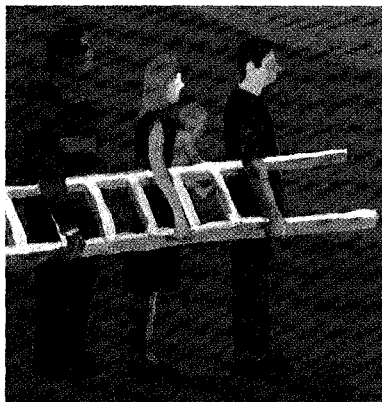
As the high tide of a full-employment economy has receded, the failures of employment and welfare policy have become all too visible. This *Prospect* special report, produced in partnership with the Ford Foundation, examines four interrelated areas of public policy: income support, welfare, job training, and the care of working people's children. Taken together, these policies should guarantee that anyone who works is not poor (other policies should lift from poverty people legitimately unable to work). But the policies that we do have are only an incomplete patchwork, and one that has been left even more threadbare since 2001.

The restoration of full employment would help a lot, but it would not be sufficient. The reason is that even with very tight labor markets, many jobs pay poverty wages, and many of these provide no serious training or opportunities for advancement. When costs of child care and transportation are included, the net income from low-wage work is not enough to live on.

This special report takes stock of the several facets of America's work support and income policies, and points to a better way. We hope a new administration will pay attention.

The report was edited by Dorian Friedman and Robert Kuttner.

—ROBERT KUTTNER



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Purgatory of the Working Poor

People seeking help from the job-training and income-support systems face a bureaucratic paper chase and limited resources. There are oases of progress, but much remains to be done.

BY DAVID HAGE

SINCE MAKING THE LEAP FROM WELFARE TO WORK two years ago, Tami Buddi has put a lot of miles on her aging family sedan. To collect child-support payments from her former boyfriend, she drove to the county courthouse in a nearby suburb of Minneapolis. To keep appointments with her job counselor, she drove to a second county office. To apply for subsidized health insurance, she drove to a third site, clutching a thick application and a sheaf of payroll stubs. No one told her about federal training grants, so she found a night school on her own, which meant more time behind the wheel every week. All this while working full time as a bill collector and raising a 10-year-old daughter by herself.

"It's like they sat down and tried to make it complicated," she says with a cynical chuckle.

Like some 30 million other low-wage Americans, Buddi finds herself in a sort of purgatory of the working poor. In the last decade, Congress has decreed that most adults must work if they want access to the federal safety net, and lawmakers have poured billions of dollars into "work supports" such as child-care subsidies and employment tax credits. Yet no one in Washington seemed to think about assembling these services into a coherent package that would be accessible and convenient to struggling workers like Tami Buddi.

"No public agency really has the working poor as its man-

date," says Frieda Molina of MDRC, a New York-based research organization that is studying career advancement among low-wage workers. Instead, work supports are scattered across a bewildering landscape of federal agencies and local offices. "The pluralism of domestic policy has produced the *siloization* of human services," writes Richard Nathan, director of the Rockefeller Institute of Government at the State University of New York. "The losers are citizens who have such a hard time dealing with government."

This fragmentation helps explain why millions of poor Americans never receive the benefits that Congress created for them, benefits that were supposed to express society's support for the ideal of work. Economists estimate that about 80 percent of eligible workers collect the Earned Income Tax Credit (EITC), a refundable credit for the working poor. But only 51 percent of eligible adults receive Medicaid, and only 41 percent collect food stamps. An even smaller fraction receives child-care subsidies. And—maybe most troubling for its long-term implications—only about 200,000 adults receive job training in a typical year through the main federal workforce statute, even though perhaps 20 million low-wage workers are struggling along with a high-school diploma or less.

In the past, a local welfare office was the main portal to government benefits such as Medicaid and food stamps. But,

since 1996, when Congress passed a landmark overhaul of public assistance and made welfare contingent on work, the number of families applying for cash support has plummeted. The number of working poor has risen sharply, meanwhile, but these adults are mostly disconnected from social services.

One result is that federal income supports reach far fewer families today than they did a decade ago. The number of low-income children served by the EITC grew by 5 million between 1991 and 2002, according to Wendell Primus, minority staff director at the Joint Economic Committee of Congress. But the number served by other strands of the federal safety net—cash welfare, food stamps, unemployment benefits, and housing subsidies—dropped by 11 million.

This might represent progress if the number in need had fallen as well, but it has not. Between 1991 and 2002, the national poverty rate fell slightly, from 14.2 percent to 12.1 percent, but the total number of Americans living in poverty remained nearly the same at roughly 35 million.

Here and there around the country, a handful of states and counties anticipated the problem of fragmentation and adopted novel strategies to address it. They represent what should be considered the next stage of welfare reform: fulfilling the promise to make work pay.

One of the most admired examples is the Montgomery County Job Center in Dayton, Ohio. The center occupies a remodeled warehouse near downtown Dayton, a vast gray structure with eight acres under one roof. It offers a human-services megamall providing a job bank, cash welfare, food stamps, health insurance, child-care subsidies, legal aid, housing assistance, career counseling, mental-health services, and access to additional supports provided by dozens of community nonprofit agencies.

Quite beyond creating one-stop convenience, Montgomery County designed this facility with the goal of reducing the intimidation and stigma associated with traditional welfare offices. Clients enter through a pleasant, tiled lobby where a receptionist hands out color-coded cards that guide them to the right department—yellow for child care, for example, or blue for housing. A client who simply wants to find work can step directly to a bank of computers retrofitted with the nation's top-rated employment database. A really troubled family can see a team of job counselors, eligibility experts, and social workers. The center is on a major bus line and, because many of its clients already hold jobs, stays open until 6:30 p.m. on Tuesdays and Wednesdays.

People who might never walk into a welfare office seem quite willing to use the Dayton center. In the parking lot, snappy new Mustangs and VWs sit side by side with rusting Chevies and minivans; less than 20 percent of the center's "customers" receive cash assistance. Although the center emphasizes job hunting and service to local employers, the staff is cross-trained to administer health insurance, housing subsidies, and other services.

"Do you want to know why people don't keep a job?" asks

Dannetta Graves, director of the county's Department of Job and Family Services. "It's because the support system failed them. They lose a transmission and they can't get to work. Their baby-sitter cancels on them. Their children get sick. What we give them is a backup system."

Assembling that system should be the responsibility of a trained caseworker, not one more chore for some overworked, overwhelmed single parent, according to Graves and her staff. "The customer who sits down at our table should not have to figure out which funding stream she is eligible for," says Linda Shepard, the department's assistant director. "It's our job to customize a package of services for her."

Graves' operation hasn't solved every problem that faces the working poor. But the average client lands a job paying \$9 to \$10 per hour, which makes that client better off than the typical adult leaving welfare. Add the federal EITC and child-care subsidies and that client's effective income could rise from \$15,000 to \$25,000, even if he or she is working just 30 hours a week. In addition, the center is working with local hospitals to build job ladders for unskilled workers who want careers in health care.

Bricks and mortar, however, isn't the only way to remodel the work-support system. In Utah, the Legislature merged its state employment agency with its human-services department, then created a single application for welfare, food stamps, Medicaid, and child-care subsidies. In Arkansas, welfare caseworkers can reference the computers

that house food-stamps and Medicaid data; a family applying for one benefit can enroll in others without supplying additional paperwork. Louisiana can automatically grant or renew Medicaid coverage using a family's food-stamps application. The strategy saves time for government caseworkers and reduces the large number of families who wash out of Medicaid each year for purely procedural reasons.

In Rocky Mount, North Carolina, a nonprofit agency called Connectinc. aims to combine the convenience of telephone service with an ambition to place clients in jobs paying \$12 to \$14 per hour. Parents confronting the hazards that derail so many of the working poor—a sick child or an eviction notice, for example—can call a central switchboard for referrals to crisis day care, medical clinics, or housing agencies. Those who want to climb a rung on the job ladder can find a career counselor, the right community college, or a federal tuition grant.

IN AN ERA WHEN MANY POLITICIANS WANT TO SHUT the door to the welfare office, why make public benefits more accessible?

One answer is that work supports help poor adults stay in the job market. Officials in Hennepin County, a large urban jurisdiction in Minnesota, studied low-income residents last year and found that dozens who lost eligibility for child-care subsidies quit their jobs and applied for welfare because they couldn't afford their day-care bills. Similarly, economists have found that the EITC promotes and sustains

**Despite the promise
of "one-stop"
centers, few states
have integrated job
and welfare services.**

employment among workers who couldn't support a family on market wages alone.

More importantly, research shows that children fare better when their families have the basic elements of material security. High-quality child care, for example, has been linked to better school readiness and cognitive development. Children with medical insurance are more likely to see a doctor regularly and receive preventive health care. Welfare-to-work studies by MDRC suggest that children perform better in school and have fewer behavioral problems when household income rises above the poverty line. If the goal is to lift America's next generation out of poverty, work supports for the present generation of struggling parents are vital.

What would a model work-support system look like? Sharon Parrott, director of the welfare-reform and income-support division at the Center on Budget and Policy Priorities, says it would have three components: convenient one-stop service centers; streamlined application forms; and generous income ceilings so that a working parent doesn't lose eligibility for, say, health insurance the minute he or she climbs above the poverty line. Scholars who have studied "service integration" in the various states say that no one place has put all three together, though a handful of counties in states such as California and Oregon have come close.

With the Workforce Investment Act of 1998, Congress ordered states to create one-stop centers where a jobless resident or a worker seeking a skills upgrade could find a full range of employment services. But few states have taken the next step, which is to integrate one-stop employment centers with social services that sustain the working poor. For one thing, it's laborious and expensive to merge agencies, reprogram computers, and cross-train caseworkers. For another, it's hard to create the crisp, upbeat mood of an employment agency—attractive to employers and middle-income workers—while still serving clients who walk in the door suffering from mental illness or domestic violence.

Indeed, the one-stop ideal remains rare. Researchers from the Center for Law and Social Policy in Washington, D.C., surveyed 30 one-stops in several states last year. They found that only six provided a high level of access to work supports such as the EITC, subsidized child care, food stamps, and transportation assistance.

Another study of "service integration," this one for the Annie E. Casey Foundation and the Rockefeller Institute of Government, looked at 60 promising sites around the country. Mark Ragan, study investigator, concludes, "Most of the local authorities who might lead the effort at integration have full-time jobs already. Chances are they are already overloaded, especially with recent budget cuts and caseload increases. Where it's happened, it's happened because a visionary local leader pushed and pushed and pushed."

Apart from these prosaic challenges, there are key institutional barriers to a streamlined system. A big one is the fragmentation of federal funding streams, each with its own rules and mandates. A father who qualifies for skills training under the Workforce Investment Act, for example, might be ineligible to see a job counselor in the state welfare system. A

mother who receives welfare-to-work funds to buy a used car might then flunk a state asset test for Medicaid.

A second problem is turf battles among state and local authorities. In many states, employment-service directors have resisted merging with welfare agencies, arguing that their constituency is employers, not poor families, and that their mandate is economic development, not poverty reduction.

Once upon a time, segregating the welfare poor from other workers might have made sense. Although there were various welfare-to-work experiments under Presidents Jimmy Carter and Ronald Reagan, the system by and large rewarded welfare parents for staying home and raising children. But the welfare law of 1996 erased that distinction and decreed that essentially all adults must work. It also raised the stakes hugely for anyone struggling at the low end of the labor market. Now, a mother who loses her job because of a sick child or a violent spouse can also lose cash assistance and other benefits. And virtually all adults on welfare lose all federal cash assistance after five years, even if they're not earning enough money to support a family.

CONGRESS HAS TWO NATURAL VEHICLES TO IMPROVE the work support system: Temporary Assistance for Needy Families, the nation's main welfare program, and the Workforce Investment Act. Both are long overdue for reauthorization. Lawmakers could give the two programs a set of common goals, preferably goals that emphasize job retention and advancement, so that a state using one program doesn't run afoul of the other. They could also offer grants and seed money for service integration; retraining case-workers and reprogramming computers is expensive, especially given the states' current fiscal crunch.

Beyond these administrative steps, Congress could extend the reach of federal work supports such as public-health insurance and child-care subsidies. It could launch a new round of Medicaid expansion; the nation still has nearly 44 million uninsured people, most of them in working families. The state-federal system of unemployment insurance also needs an overhaul because many of the working poor never qualify for benefits. Unemployment insurance was designed for an economy of full-time, full-year factory workers. Today, in an economy where temporary and part-time work is common, it covers less than 40 percent of the unemployed.

The 1996 welfare law had an unspoken and powerful premise: that work could replace welfare and give families a better path out of poverty. Many people, through confidence in the marketplace or sheer inattention, accepted that premise as true. But today, some 9 million Americans live in poverty despite working, and millions more hold jobs that keep them just above the poverty line. It might turn out that requiring work was the easiest—and only the first—phase in a new war on poverty. ■

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How Much Is Enough?

To live decently, working families need a lot more than what low-wage jobs currently pay. They need social outlays and income supports as well as career horizons.

BY DEEPAK BHARGAVA

ADAM SMITH, IN *THE WEALTH OF NATIONS*, POSED THE QUESTION OF HOW TO define an adequate standard of living. “By necessities,” he wrote, “I understand not only the commodities which are indispensably necessary for support of life,

but what ever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without.” We’ve been debating what’s indispensable, what’s indecent, and what it means to be a “credible” person within the sphere of our common moral concern ever since.

So what does it take to live at a minimal level of decency in America today? And what is the government doing to make it happen? The answers to those questions are not heartening: It takes much more income than millions of Americans have today, and the government is not doing enough to change that. The patchwork of programs that do exist are inadequate for nearly everyone in the bottom third or bottom half of the nation’s wage earners. Public subsidies offered are not enough for families below the poverty line or earning near the minimum wage, and are of little or no help to workers whose earnings get them close to a reasonable level. And for those in the middle, the benefits from these programs phase out quickly as income rises, so that additional earnings don’t have much impact on disposable income. In other words, the architecture of programs that has evolved since Franklin Delano Roosevelt’s famous articulation of a “freedom from want” is radically out of whack with what it costs to make it in America today.

There is broad agreement that the current federal poverty level of \$18,850 for a family of four—which is less than one-third of current median income for a four-person family—is inadequate to meet basic needs or allow for a decent lifestyle. In fact, taking into account the true costs of goods and services, studies sponsored by Wider Opportunities for Women in states and localities around the country estimate self-sufficiency in the range of \$35,000 to \$50,000 per year for a family of four, about 60 percent to 75 percent of the local median income, and at least twice the current poverty threshold. Even these higher standards assume a bare-bones lifestyle: no school supplies, birthday presents, or college savings for the kids, and no savings for retirement. While 12 percent of Americans are poor under the U.S. Census Bureau’s official definition of poverty, between 30 percent and 40 percent of Americans have incomes below these more realistic standards.

In other words, it’s apparent that our current policies and programs are inadequate and out of date. On the labor-market side, minimum-wage standards and unemployment insurance are two of the core policies designed to help ensure the living standards of workers prior to retirement. During the past 30 years, business opposition to adequate standards has caused a substantial erosion in the adequacy of both programs. Currently, full-time, full-year work at the federal minimum wage of \$5.15 an hour yields an annual income of \$10,300. If the minimum wage had kept pace with inflation since the late 1960s, as it had done during the previous two decades, its current level would be more than \$7.50 an hour, or \$15,000 a year. What’s worse, the bottom end of the labor market has returned to the Wild West conditions prevalent before the New Deal, such that enforcement of the existing wage and hour rules is disappearing. So even the paltry minimum wage we have in place is often ignored.

Meanwhile, unemployment insurance is typically limited to six months of benefits, with many eligible workers qualifying for even less. When they do receive the money, average benefits are only about 35 percent of prior wages. And because eligibility requires significant prior work history and has narrow qualifying rules based on the reason for loss of employment, only about 40 percent of all unemployed workers qualify for benefits.

Business has dramatically shifted responsibility and risk to workers in other ways as well. For instance, companies have sharply curtailed or eliminated workers’ employer-based health coverage and defined-benefit pension plans in which the plan guarantees a specific monthly pension benefit.

Unfortunately, that leaves the poor dependent on government programs that are deeply flawed. There are a number of publicly funded programs designed to fill the gap between what people earn in the market and what they need. These programs reflect a crazy quilt of eligibility standards. For example, while children in most states are eligible for Medicaid up to about 200 percent of the federal poverty level, the income cutoff for their parents is typically much lower. Food stamps are limited to those below 130 percent, and eligibility for the Earned Income Tax Credit for two-

parent families with two or more children is limited to those with incomes below 185 percent of the poverty level. Federally subsidized child-care assistance is legally available up to 85 percent of state median income, and some federal housing subsidies are available up to 80 percent of area median income, but—thanks to limited funding and red tape blocking the way of many who seek help—only a small fraction of eligible families actually get child care or housing help. If you find all of that confusing, well, that's exactly the point. This haphazard set of eligibility rules has grown up over the last 30 years, representing political compromises that don't rationally meet the needs of the low-income families they're supposed to help.

WHAT NEEDS TO BE done? On the public side, we need a combination of macroeconomic and public job-creation policies to ensure that everyone who wants to work can work. We need universal health insurance and, as a step toward that, an expansion and stabilization of public programs to cover more low-income wage earners and their families. The public system of supports for workers whose incomes are below the threshold—child care, housing, refundable tax credits—needs to provide more adequate benefits to all who are eligible, and in a simpler, more accessible fashion. In some cases, we need to raise eligibility standards for programs to reach struggling families not now eligible.

On the private side, we need to establish a higher set of standards for employers, who in turn need to offer a minimum wage that will provide at least a poverty-level income to a full-time, full-year worker, automatically adjusted to keep up with increased costs and productivity. The unemployment-insurance system needs to be updated so that low-wage and part-time workers become eligible, benefits are available to workers who are in school (or training programs are offered to update their skills), and benefit levels are improved. Labor-law reform (and enforcement of existing labor and discrimination laws) would restore some balance of power in the workplace and would allow workers to go beyond federal or state minimums to secure a fair share of the profits their work creates. Through a combination of employer-provided sick leave and longer-term paid family leave, the need for both the time and income to

meet family needs must also be addressed. Focusing on the private sector's responsibility is important, both because budget deficits will constrain the public sector and because we don't want businesses to shift the cost of bad jobs on to the rest of us.

These changes would address the financial shortfall of so many Americans today. But money alone won't satisfy the social contract. More is needed. First, everyone who wants to work must have the opportunity to do so. Second, the right combination of work and income must be available for those who, from time to time, must interrupt their work for health

reasons or family caregiving responsibilities. Third, the terms and conditions of work must be consistent with minimum standards for dignity and self-respect and bring an end to the exploitation of vulnerable immigrant workers, discrimination against people of color, and unsafe and unhealthy conditions that still mar many workplaces.

The discussion about what constitutes a decent standard of living is really a proxy for a much bigger debate between two competing sets of values. The market economy rests on a foundation of self-interest and individual risk, limited theoretically by certain rules and norms regarding transparency and fair dealing (Enron and Wal-Mart notwithstanding). A parallel set of values, arising from both secular and faith traditions, holds that we're all equal stakeholders in society, deserving of respect, dignity, and some fair share of the

country's bounty. The latter tradition has been losing out badly over the past few decades.

What we need, then, are much higher standards, both in terms of income and quality of life. Broadening these standards is necessary for building a new generation of policies that is moral and just. It would also help build a coalition to achieve them: A constituency much larger than the 12 percent of Americans officially classified as poor would support such a broader definition. And a more expansive definition of what it takes to make it in America would logically force us to ask an even more provocative question: How much income (and wealth) is too much? ■

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OURS...to fight for



FREEDOM FROM WANT

A Turkey on Every Table?: Rockwell interprets FDR's "Four Freedoms" speech.

Can Better Skills Meet Better Jobs?

The economy needs both. Here's how we can attain them.

BY STEVE SAVNER AND JARED BERNSTEIN

OUR ONGOING NATIONAL DEBATE ABOUT POVERTY, work, and opportunity is in many respects an argument about supply versus demand. Is working poverty ultimately a problem of the skills workers supply or the number and quality of jobs employers create?

The supply-side camp, dominant for many years, argues that the solution to poverty amid prosperity is improving the skills of the disadvantaged. Underlying this formulation for both liberals and conservatives is the belief that our economy—and our society broadly—is more or less a meritocracy. The hard-right position is essentially that the market system ensures that the cream rises, regardless of whatever disadvantages prevail at the starting line. The liberal slant maintains that due to historical inequities, some groups are unable to tap into the meritocracy because they haven't been able to realize their potential. And the solution has variously been dubbed "manpower" development, job training, or, in today's language, workforce development and career advancement.

Then there are the demand-side advocates. In their view, the problem is not the skills of the disadvantaged; it's the number and quality of the jobs available. In the extreme case, demand-siders inveigh against supply-side solutions, arguing that all skill training does is leave its subjects "all dressed up with nowhere to go."

OK, we're being a touch reductionist, but the tensions between these two camps lie behind most, if not all, of our national arguments about work and social policy. Well, now is the time to bury the hatchet and recognize that we need complementary agendas to address needs on both sides.

Let's start with the education and skills part of the story. Expanding education and skills among today's low-wage workers won't change the quality of jobs, nor will it increase the number of good jobs our economy provides. Yet most agree that it is fundamentally important to take on this challenge in order to fulfill broadly shared values about opportunity. Simply put, many low-wage workers need a second chance to gain the education and skills they didn't acquire from our "first-chance" system of public education.

That much is pretty uncontroversial. Unfortunately, federal job-training initiatives—including today's Workforce Investment Act—have been woefully underfunded. While declining resources are a continuing problem, the good news is that a new generation of programs have emerged that dramatically improve quality and reveal the components of an effective system. However, just as these posi-

tive developments were occurring during the 1990s, many who were responsible for workforce policy seized upon the weak results of prior education and training programs to argue that pre-employment training for less-skilled job seekers was unnecessary.

Their preferred approach—widely known as "work first"—sacrifices long-term job training in favor of immediate job placement, coaxing people to take any available job from which they will eventually advance. The mantra here is that *any* job is a good job, and that there are no "dead-end" jobs. This shortsighted strategy got a boost in the years after 1996, when Congress overhauled the nation's welfare system and required many single mothers on welfare to join the workforce. Well, you couldn't have chosen a better period for this policy thrust. Demand for low-wage labor soared, and the pull of various enhancements (e.g., an expanded Earned Income Tax Credit, a higher minimum wage, and improved—though still inadequate—access to supports like subsidized child care and health-care coverage for kids) combined with the push of the new welfare-to-work mandates to sharply lift the employment rates of poor mothers and other less-skilled workers. Their wages rose as, for the first time in decades, the tight labor market compelled low-wage employers to bid wages up to attract the workers they needed.

Sounds impressive, but in fact some people gained earnings and lost welfare benefits, while others lost benefits and didn't find work. During the late-'90s, low-wage women workers saw their hourly wages rise significantly; they also worked substantially more hours per year. Yet even with more hours at higher wages, by the end of the decade, those at the low end of the wage scale still only had annual earnings of about \$9,500. Even after adding the value of the Earned Income Tax Credit, those earnings still didn't get a mom with two kids to the poverty line (more than \$14,000 per year at the time)—and no one believes the poverty threshold is a sufficient benchmark for the material needs of working families anyway. Even in the best of times, a work-first strategy did not and cannot alter the economic trajectory of the working poor enough to make a lasting difference in their lives.

What's more, the best of times are behind us, and the employment rates of single mothers fell significantly from 2000 to 2003. The harsh income arithmetic is reinforced by economist Harry Holzer's recent research on income mobility among the working poor. While some people do move up from low-wage jobs, significant upward mobility is not the norm. Holzer's study looked at workers who earned less than \$12,000 a year from 1993–95. Following those workers over time revealed

that only 27 percent were consistently earning more than \$15,000 even six years later. Outcomes were still worse for those with less than a high-school diploma or in poor families.

IN RESPONSE TO THE EVIDENT LIMITATIONS OF WORK-first policies, there has been a growing emphasis on programs designed to help job seekers prepare for good jobs and advance to careers. This new generation of programs shares several key elements. First, they're grounded in extensive knowledge of the local labor market, focusing on occupations and industries that offer the best opportunities for advancement. Second, they help workers access education and training at community colleges, community-based training programs, and union-sponsored programs that work with employers to design curricula based on the skills that employers actually need. And third, they provide access to remedial services—often referred to as “bridge” programs—so that people who have weak basic skills can prepare for post-secondary-level programs.

One such model is sponsored by the California Community College (CCC) system for women receiving welfare. When California developed the CalWORKs program to implement the 1996 welfare law, state leaders wisely recognized the value of their community-college system in preparing Californians with limited skills for good jobs. They designed a program in which CCC campuses offer a one-stop shop for students receiving welfare—helping them secure remedial services, child-care assistance, work-study opportunities, and good jobs when the program is completed.

Earnings gains for moms on welfare have been impressive. Prior to enrollment, students had median annual earnings of just \$4,000 to \$5,000. By the second year after completing the program, women who'd gotten a vocational certificate were typically earning more than \$16,000; those who'd completed an associate's degree were making nearly \$20,000. While such earnings are still too low by our standards, these gains are off the charts.

Another impressive model is Project QUEST (Quality Employment Through Skills Training) in San Antonio, Texas. Initiated by community organizations in the early '90s to address growing poverty and unemployment by helping low-income residents prepare for good jobs, Project QUEST pursues what has come to be known as a “sector” strategy—

targeting industries or occupations that offer good entry-level jobs and significant advancement opportunities. This initiative forged links between the Alamo Community College District and employers in the health-care and business-services sectors to implement rigorous skill-training programs. Remedial programs were developed for those with weak basic skills to provide a bridge to the community colleges' training programs. And, like many effective programs, QUEST helps participants access critical services like transportation, child care, and housing. The program affects the demand side, too, by working with employers to modify hiring requirements and improve the structure and wage rates for entry-level jobs.

Results have been quite strong, with average hourly wages topping \$10 for graduates who have spent an average of 17 months in training activities and broad satisfaction from the local business community. And beyond the individual success stories, the effort has helped promote broader system reform, like improved remedial programs in the community-college system and better collaboration among community colleges and area employers in sectors beyond those targeted by Project QUEST.

A positive theme emerges from these initiatives: Career advancement needs a unified effort by community colleges, community-based organizations working with disadvantaged job seekers, and local unions and employers who can identify areas of future demand and ensure that education and training programs provide the right skills. This is a far more complex approach than work first, and it demands a bigger investment, but it's demon-

strably more likely to bear fruit in the form of a significantly improved earnings trajectory. Moreover, these models demonstrate that programs designed to address skill needs can work on *both* sides of the labor market, to meet the needs of workers and employers and, most intriguingly, to have some impact on the quality of the jobs themselves.

Unfortunately, the work-first policies that have dominated both federal thinking and most state and local welfare programs since 1996 have frustrated this whole approach. Instead, we need federal welfare policies to encourage rather than discourage postsecondary education and training, plus expanded child care and student financial aid for adults returning to school. On the job-training



side, we also need to move away from work-first thinking and more adequately fund government programs like the Workforce Investment Act.

NOW LET'S TALK A LITTLE BIT ABOUT DEMAND. WE can't imagine that anyone would disagree with the contention that very tight labor markets are a necessary complement to the initiatives we've discussed so far. We both speak to policy-makers and audiences involved in these issues, and they fondly remember how much easier their jobs were just a few short years ago, how unemployment was headed to 4 percent and employers were importuning job trainers for their best students.

We know that the benefits of full employment accrue disproportionately to the least advantaged and to the lowest wage earners. Between 1995 and 2000, their employment rates grew the most, their wages sharply reversed course, and their incomes grew faster than they had since the last time we hit full employment, 30-plus years ago. Poverty rates for African American and Hispanic families fell more than five times faster than for white families; poverty for families headed by single moms fell six times faster than for married-couple families. For the first time in a generation, median family incomes of minority families grew faster than those of white families,

has actually started to *raise* rates.

Consequently, we are far from full employment today. In the absence of very tight labor markets, the best job-training programs will simply displace other job seekers, substituting one poor group for another. And even an adequate minimum wage and stronger unions can't do enough in a slack market. What's an enlightened person who appreciates the importance of both supply and demand to do?

WELL, HERE'S AN IDEA: WHEN THE JOBS AREN'T there, let's create them. We envision a two-tiered system that uses the lessons cited above to develop career paths and expand opportunities for success, raises the wage floor, and levels the playing field for workers and their unions to bargain for better conditions. Second, when labor markets are slack, we create public-service jobs to keep people gainfully employed, drawing on the successful experience of transitional jobs programs that have sprung up around the country using public funds to create work for people struggling to get a foothold in the labor market. Such jobs could meet important community needs and let people use their newly minted skills. What's more, the message is clear and consistent with values we all agree with: Everyone who wants to work should have the chance to do so.

We need a full-employment economy to increase wages and reward skills. And for those times when the Federal Reserve doesn't oblige, we need public service jobs.

and the gap between black and white incomes was the narrowest it's been since we began keeping track in 1947. The workers in these families didn't dramatically increase their skills during these years. It's just that full employment is strong medicine for what ails low-wage workers.

Yet while we know that full employment is the most critical component of a high-wage strategy, it's been the exception over the past 25 years, not the rule. When it comes to increasing skills, we may lack the political strength to move the right policies, but at least we know what we want to do. In a similar vein, we're clear that higher minimum wages and more union power complement effective training programs by improving the distribution of income and the quality of low-wage jobs. But as regards full employment, the dominant view is that it's like beautiful weather: We wish we had more of it, but it's beyond our control.

We don't subscribe to this view. There are policies that would help move us closer to full employment: a lower dollar, more attention to offshoring and job losses related to trade, and, most importantly, stimulative monetary policy from the Federal Reserve. We could exhort the Fed to hang a banner on Constitution Avenue reading "4 Percent Unemployment or Bust," and to keep interest rates low until we return to truly full employment. But Alan Greenspan hasn't been returning our calls. What's worse, even though the unemployment rate is at the same level as when the recovery began two years ago (5.6 percent in June), the Fed

The beauty of this approach is that it takes on both deficits, skills and jobs. Reflecting on the critique from the left, this approach guarantees that recipients of job-training programs are "all dressed up with somewhere to go."

We've yet to work out the mechanics and price of such a system, but it's none too soon to start doing so. In any new system, we need to avoid the errors of the past, chief among them the displacement of incumbent workers. One idea is that the jobs-creation component, likely the big-ticket spending part of the package, could switch on in local labor markets when the unemployment rate got too high—and off when no longer needed. As with any other potentially expensive new social policy, it would make sense to test this idea with a few local demonstration projects.

So supply, meet demand. Our hope is that the two camps can come together and develop what seems to us to be an ambitious but commonsense approach to the stubborn problem of working poverty. Full employment is a great asset, but because we can't count on it, let's create it. Besides, ensuring that all who are willing can realize their intellectual and economic potential is good policy and the right thing to do. Together, they could be a highly potent combination. ■

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Welfare Reform, Phase Two

Doing less with less

BY MARK GREENBERG

IN 1996, WELFARE REFORM WAS RARELY FAR FROM THE HEADLINES. ACROSS THE country, states were overhauling their cash assistance programs for poor families. That summer, Congress passed and President Clinton signed a deeply controversial

revamping of the federal-state system. The new law ended public assistance as a federal entitlement, in favor of a complex system of state block grants with work requirements and time limits.

Thanks to a fortuitous rendezvous with a full-employment economy, a great many people who had been receiving welfare found jobs. Many, but certainly not all, improved their livelihoods. As long as welfare caseloads were declining, states enjoyed a surplus of welfare funds and thus an expanding pool of resources to redirect to other benefits and services for low-income families.

Eight years later, the picture could hardly be more different. Caseloads are no longer falling in most of the country, and funding remains flat at 1996 levels. It seems virtually inevitable that there will be significant cuts in benefits and services funded through the welfare block grant in the coming years.

For the last two years, Congress and the White House have been unable to agree on terms for reauthorizing the 1996 welfare reform law, which expired in 2002. The discussion has been mired in disputes about required “work-participation rates” for welfare recipients. When the Senate briefly debated the issues in March, the press barely noticed. It now appears probable that the welfare program will receive yet another temporary extension—its seventh so far—and crucial decisions about its future will be postponed until the next Congress.

The share of the nation’s poor children receiving welfare assistance is now at a historic low, even though employment among single-parent families has declined since 2000. This suggests a lot of hidden suffering.

In important ways, welfare reform was more successful than many liberals (and conservatives) expected in 1996. However, if the national goal was to reward work and reduce poverty, the 1996 law was profoundly incomplete. Unless Congress and the White House reconsider their approaches, a combination of stagnant funding and bureaucratic mandates will result in a welfare system that helps steadily fewer people with each passing year, while the set of supports for working families outside the welfare system remains an uneven patchwork.

IN THE BEGINNING: WHAT WORKED, AND WHY

During the late 1980s and early 1990s, there was a rapid increase in the nation’s welfare caseload, with the number of families receiving assistance growing from 3.7 million in 1988 to 5 million in 1994. It’s never been entirely clear how much of this caseload growth was due to economic downturn, demographic changes, or other factors, but it led to a strong perception that the system was “out of control” and that its incentives were perverse. In his 1992 campaign, Bill Clinton famously promised to “end welfare as we know it.” An emerging consensus among policy-makers held that some combination of compulsion and support was needed to link families receiving welfare with employment. There was far less consensus about the “right” mix of compulsion and help.

The new welfare law enacted in 1996 did four main things: It cut low-income assistance, most severely affecting benefits for legal immigrants; it made changes intended to improve child-support enforcement; it consolidated and expanded funding for child care; and it repealed the old Aid to Families with Dependent Children (AFDC) entitlement and replaced it with the Temporary Assistance for Needy Families (TANF) block grant. A previously sacrosanct federal guarantee of minimal cash assistance to needy families was ended. Instead, TANF provided each state with an annual lump sum. This roughly reflected what the state had been receiving from the federal government under the old welfare program in the mid-1990s.

With its block grant, each state was free to design its own cash assistance program, subject to two main federal rules: With limited exceptions, federal funds couldn’t be used to provide assistance for more than five years, and states had to meet federal work-participation rates each year for families receiving assistance. States could impose other restrictions on assistance, and—as turned out to be important—states could use block grants for a wide range of activities besides operating cash assistance programs.

In implementing TANF, almost all states established programs of time-limited assistance. Most embraced a strong “work-first” philosophy, which discourages education and training and encourages recipients to take any available job as a condition of receiving benefits.

During this period, the nation coincidentally entered a period of economic growth, with demand for low-wage labor so strong that a two-decade decline in real wages for low-earning workers reversed and real wages began growing at the bottom. And, as a result of other deliberate policies, notably a large expansion of the federal Earned Income Tax Credit (EITC) coupled with minimum-wage increases enacted in 1996, low-wage workers realized income gains. In addition, health-care access was broadened for children outside the welfare system, and states began expanding child-care assistance for families not receiving welfare.

Academics are still debating the relative importance of each factor, but it's clear that in the first years of TANF, there was an unprecedented growth in employment among low-income single parents and an unprecedented drop in the welfare caseload (from 5 million families at its peak to a little more than 2 million). Not surprisingly, the jobs tended to be low-wage and the families were often still poor or near poor, but because welfare cash benefits are so low, even a family entering minimum-wage employment generally saw an increase in disposable income. The EITC helped, as did state policies of "disregarding" a portion of earned income in calculating the welfare check, which allowed working recipi-

care spending across the nation tripled between 1996 and 2000 (from \$3 billion to \$9 billion), and the number of children receiving child-care subsidies doubled. Admittedly, this was from a very low starting point: With the expansions, an estimated 2.25 million children were receiving subsidies (among about 15.7 million eligible children). Nevertheless, the progress was real. There were large increases in child-care assistance to low-income working families outside the welfare system. Moreover, states used the new funds to expand after-school programs, establish or expand child-care-Head Start collaborations, and increase spending for initiatives to improve child-care quality.

Second, states began using block-grant funds for benefits and services for low-income families that may not be receiving, or might never have received, welfare under the old AFDC program—state earned-income tax credits, expanded transportation assistance, expanded services for victims of domestic violence, teen-pregnancy-prevention initiatives, demonstration projects to provide employment retention and advancement services for low-wage workers, even college tuition aid. States also increasingly began to use the funds to meet escalating costs in their child welfare systems. Many state administrators and advocates now look back, fondly, at a several-year period in which states were literally looking

Even in TANF's glory years, a significant minority of families leaving the welfare rolls did not get jobs. And many of the jobs did not pay a living wage.

ents to receive partial benefits for a limited time.

Even in the early years, however, there was a darker side. While most families leaving welfare got jobs, a significant minority didn't. Those families that either didn't or couldn't meet the requirements of the new system were more likely to be those with the least education, the shortest work history, and the most serious barriers to employment.

The fact that families could leave with jobs and still be poor, and that some families left without jobs, meant that the share of poor children receiving welfare assistance plummeted. Child poverty fell during the late 1990s, but welfare caseloads fell much faster, and the share of poor children receiving any assistance dropped from 62 percent in 1994 to 33 percent in 2002.

THE GOOD YEARS

In the block-grant structure, a state got the same amount of money no matter how much its welfare caseload fell (or rose). With the welfare caseload decline, spending for cash assistance fell from \$23 billion in 1994 to \$11 billion in 2000. As a result, states now had billions of dollars in federal block-grant money each year to redirect to other purposes. Where did the money go? Broadly, it went in three directions: expanding child care, expanding other low-income benefits and assistance, and reducing other state spending.

By 2000, states were using nearly \$4 billion in TANF funds for child-care assistance to low-income families, an amount larger than the entire federal child-care block grant. Child-

for good ideas for new initiatives to fund with TANF dollars.

Finally, the law let states cut their own spending for low-income assistance to 75 percent or 80 percent of 1994 spending levels, and most states did so. Moreover, states could use TANF funds to substitute for existing state spending for low-income families, so long as they satisfied their "maintenance of effort" level for state spending. While there are no precise figures, it seems clear that states were able to use federal TANF funds to substitute for billions of dollars of state spending.

Overall, then, the picture in the first years of implementation was mixed, but certainly more positive than many had feared. Employment rose, poverty fell, and states redirected welfare dollars to expand supports for families outside the welfare system. TANF was a "leaky bucket," but it was still redirecting funds from the old welfare system into new supports for a much broader population of low-income working families.

STAGNATION, UNCERTAINTY, APPREHENSION

If most things seemed to be moving in a positive direction in the first years of TANF, the opposite has occurred since then. First, when the nation's economic downturn began, the growth in employment among low-income single parents stopped (employment rates of single parents have fallen since 2000). And, at about the same time, the national caseload decline also stopped. Welfare caseloads are now growing in some states and falling in others, but, overall, the national caseload in 2003 was about the same, or only slightly lower, than it was in 2001.

People disagree about why the caseload has-
n't gone up—how much is due to time limits,
more restrictive application procedures, more
extensive requirements for families receiving
assistance, less willingness to turn to welfare,
restrictions on legal immigrants, etc. What's
clear, though, is that the number of families re-
ceiving welfare assistance remained flat at a
time when the number of families in poverty
grew by half a million.

At the same time, states entered into the worst
fiscal crisis since World War II, with aggregate
state budget shortfalls approaching \$80 billion in
2003. Ideally, the federal government would play
a strong countercyclical role by providing fiscal
relief during economic downturns, as almost all
states have annual balanced budget require-
ments. But the block-grant structure was de-
signed *not* to be countercyclical, i.e., it would
provide states with the same amount of funding
regardless of changes in the numbers in need.
The law's small "contingency fund" had numer-
ous design flaws so serious that not a single state
was able to access it during the downturn. And
a federal fiscal-relief bill was enacted to provide
general help to all states, but the amount of fund-
ing—\$20 billion—could, at most, address a lim-
ited share of a single year's shortfall.

The fact that TANF caseloads stopped declin-
ing meant that TANF was no longer an expand-
ing source of funding for low-income benefits
and services. But, under the pressure of state
budget shortfalls, states drew on TANF funds
to save programs that would otherwise be cut
and to fill budget holes. States not only began
spending their full block grants but also began
dipping into reserves. For the last three years,
states have essentially spent \$2 billion more
than their annual block grants each year. At this
pace, most reserves will be gone within another year or two.

The impacts of the fiscal squeeze have resulted in cuts in
basic assistance, employment services, and social services
across the country. West Virginia is cutting cash welfare grants
by 25 percent. Montana cut basic grants to avoid cutting child
care. Indiana cut benefits for working families. Wisconsin cut
job retention and training services for working families as
well as literacy grants. Pennsylvania cut low-income housing
assistance, family savings accounts, and violence-prevention
programs that had been funded with TANF dollars. The
District of Columbia cut adult basic education, eviction me-
diation, and a tuition-assistance program previously funded
with TANF dollars.

The pressures have also led to sharp cuts in child care.
Since 2001, at least 23 states have limited child-care assis-
tance. For example, Nebraska, Ohio, and Oregon each cut
back eligibility from 185 percent of poverty to 120 percent
of poverty. In more than half of the states there are now ei-



ther waiting lists for child-care assistance or no open slots
for working families that aren't welfare recipients (or that
have recently left welfare). States also significantly increased
family co-payments. In Louisiana, for example, families that
had been paying 15 percent of the cost of care had their co-
payments increased to 70 percent of the cost. Other states cut
quality initiatives. Kansas has cut back funding used to help
teachers earn credentials and improve their teaching. In
Maryland, funding for resource and referral services to help
families find child care has been cut back by more than 30 per-
cent. A key element of state efforts in the late 1990s—the ef-
fort to ensure that no family needed to turn to welfare to get
child-care help—is thus increasingly being lost due to the
combination of state budget squeezes and no new federal
support for child care.

What's striking about these cuts is that they're each seen
as individual state policy choices, rather than as flowing from
decisions—and lack of decisions—at the federal level. If there

had been a federal proposal to simply cut basic assistance, or cut child-care funding, there'd have been a political controversy and a national debate. But by establishing a "flexible" block-grant structure with flat funding, Congress virtually guaranteed that a steadily less responsive structure is simply perceived as the policy choices of each state, and that there is no national debate about the underlying federal policy that virtually compels state cuts.

TANF was scheduled to be reauthorized in 2002. Reauthorization should have focused on the next steps in anti-poverty policy: helping low-income workers get better jobs, ending restrictions on benefits for legal immigrants, and expanding work supports, most notably child care, for low-earning families. The administration proposed freezing TANF and child-care block-grant funding levels for the next five years, leaving TANF restrictions on benefits for immigrants unchanged and increasing the work participation requirements for TANF recipients.

The administration proposed to discourage TANF assistance for full-time participation in education and training, to encourage the use of unpaid work programs, and to evaluate states by whether welfare recipients were engaged in 40 hours of activity each week (regardless of whether they were employed or getting jobs). Understandably, there was little

Welfare families are now only one-third of families in poverty, and an even smaller share of the overall low-income population. There can't be continued progress if the key supports for working families don't improve. The next Congress needs to focus not just on welfare rules but on broadening the other supports that make it impossible for low-income families to get by in relatively low-wage work.

Second, the nation depends on a structure of supports for low-wage work because the nation has an extensive low-wage labor market, and much of the work available to families with limited skills is low wage. While states have increasingly come to recognize the limits of an extreme work-first approach, there remains a serious risk that federal law will impose such requirements on all states. It's essential that states are given the flexibility and the resources to focus on education and training, and to prioritize efforts to help workers get better jobs. In the late 1990s, there was much discussion of the need to build institutional support for efforts to help low-wage workers advance, but little was put in place, and much of that is now at risk from budget cuts.

Third, about one in four poor children in the United States now lives in immigrant families. Current law bars states from using TANF funds or providing federally funded health care

With the economy no longer at full employment and states facing a fiscal squeeze, there have been deep cuts in welfare aid and support services across the country.

enthusiasm for this approach from states, but it became the centerpiece of the reauthorization debate, and for the last two and a half years the debate has been largely paralyzed by disputes about what the participation-rate rules should be for families receiving welfare assistance.

One hopeful area of policy debate has been child-care funding. The pending reauthorization bill in the Senate would increase child-care funding by \$7 billion over five years, an amount that would meet the cost of new Senate work requirements for welfare recipients and also preserve current slots for other working families. The House, however, proposes only \$1 billion, which would accomplish neither objective. Despite the best efforts of advocates, too much of the debate has focused on how much child care is needed just to meet welfare participation rates, and child-care funding generally is now being held hostage to the TANF reauthorization logjam.

WHAT'S THE FUTURE?

The best result would be for Congress to adopt a reasonable reauthorization bill this year. Most likely, though, congressional action on TANF and child-care reauthorizations will be put off until after the 2004 election. If Congress is beginning anew next year, there are four crucial things to keep in mind.

First, the 1996 reforms involved two components: changing welfare and building work supports outside welfare—the EITC, minimum-wage increase, improved child-support enforcement, broadened health care, expanded child care.

to most legal immigrants who have lived in the United States for less than five years. In the long run, any efforts to address child poverty needs to include extending assistance and employment services to immigrant families, and it's essential to end the continuing discrimination against these families.

Finally, it may not be much of a surprise to say that money matters, but that is surely the TANF experience. When funding was (effectively) going up, states innovated and expanded supports; when funding stopped going up, states cut and re-trenched. A block-grant structure turns out to have important pros and serious cons. On the one hand, it can provide for flexibility and innovation; on the other hand, block-grant money gets diverted to other uses, it's tremendously difficult to build in accountability, and funds that are adequate in boom times are hopelessly insufficient during recessions. What's more, once initial funding levels are set, it's hard to make a convincing case for increasing funding. At minimum, block grants need to be indexed for inflation and adjusted both to provide countercyclical funds and resources commensurate with their general mission.

There was a moment when TANF seemed as if it could be part of a new broad strategy not just to require work but to reward it. That effort is now in jeopardy. In 1996, America ended welfare as we knew it. Now we need to support and reward work—and end poverty as we still know it. ■

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Business: Ally or Obstacle?

Although they're not the norm, a number of civic-minded companies are helping their low-wage workers juggle job and family challenges. Government also needs to do more.

BY DORIAN FRIEDMAN

BY NOW, THE STIRRING IMAGES ARE FAMILIAR TO television viewers: teary-eyed father recounting beloved child's battle with life-threatening illness ... child enjoying miraculous recovery thanks to world-class health care at Mayo Clinic ... grateful dad's glowing tribute to beneficent employer for picking up tab, supporting family values, and investing in hard-pressed workers like him.

The sponsor? Wal-Mart, epitome of the low-wage economy. Wal-Mart offers health insurance, but the premiums and co-pays are so high that most workers don't take it. Wal-Mart does maximize the publicity value of the fortunate few.

Broad cynicism about corporate motives and chronic anxiety about job insecurity and stagnant wages leave Americans wondering whether businesses can be trusted to value ordinary workers. A generation ago, a job with a very large company usually meant good wages and benefits. When the nation's economy was dominated by oligarchic corporations, often with stronger unions or government regulations that limited wage competition, millions of Americans could count on their employer for decent pay, decent health care, and the promise of a solid pension. Low-wage workers certainly existed outside these big businesses. But today, even a job with a large company is no guarantee of job security, good pay, career prospects, or fringe benefits. And while some corporations still have decent health and retirement plans, hardly any big companies offer the fringe benefit most desired by today's two-income or single-parent families: paid child care.

In this context, is it possible to convince well-intentioned corporate executives that their struggling workers are assets worth investing in? Or must political forces, such as government regulation, social investment, and trade unions, complement enlightened self-interest?

Advocates like Donna Klein think the private sector can—and must—see the wisdom of investing in its workers. Klein, an executive for many years with Marriott, now runs Corporate Voices for Working Families, whose 45 member companies promote family-support initiatives for their own employees and advocate others to embrace them. “Corporations are increasingly willing to step up on issues that have a direct impact on the quality of their workforce,” Klein says, because they’ve come to see the economic imperative of doing so.

A decade ago, Marriott pioneered a toll-free hotline to help its employees find child care—but not subsidize it. The hotline now also offers confidential counseling and referrals

for employees facing financial crises, domestic violence, and more. Recently, in partnership with the federal and local governments and community organizations, the company helped launch a subsidized child-care center for low- and moderate-income families, including many of its own hotel workers, a few blocks from the White House.

THE LOW-WAGE WORKFORCE IS DISPROPORTIONATELY young, female, and minority. Its members are more likely than other workers to be single moms, more likely to need child care, and—most predictive of poverty—the least educated. Compared with better-paid peers, these employees have less access to the range of workplace perks enjoyed by millions of Americans. They’re half as likely as others to receive employer-sponsored health insurance for themselves or their children, less likely to get help with child care, and much less likely to enter employer education or training programs leading to better-paying jobs.

Equally troubling to the workers themselves is a general lack of control over their day-to-day fate. In surveys of thousands of low-wage-earning Americans by the nonprofit Families and Work Institute, respondents said they’d value workplace flexibility—paid time off, ideally, but also flexible hours and unpaid leave, especially to deal with their kids’ health-care needs—as much as traditional fringe benefits. But here, too, they are less likely than their well-off colleagues to enjoy such options and more worried about jeopardizing their job advancement by seeking them.

Given these many challenges, is corporate America truly coming to the rescue? Some individual companies do take the high road that Klein commends. But in its role as a political force, business fiercely resists mandates to assist struggling workers. Over the years, the nation’s leading organized business groups—the U.S. Chamber of Commerce, the National Federation of Independent Business, and the National Association of Manufacturers among them—have opposed most progressive efforts in Congress to ease the burden on working families if it will cost their members money. (In one notable exception, they now actively promote promising career-ladder programs for lower-skilled workers.) Yet again this year, the Chamber of Commerce vows to “aggressively oppose union-backed election-year proposals [like] a minimum-wage increase.” Perhaps the single biggest workplace triumph for families in decades, the *unpaid* Family and Medical Leave Act, was passed over the relentless opposition of every major business group; later, a proposal by

President Clinton simply letting states opt to extend modest paid leave sent the Chamber of Commerce and others into a frenzy of litigation. In other areas most important to lower-wage working families—notably health insurance and subsidized child care—the long-standing business record is equally discouraging.

Even when it comes to policies as seemingly benign as flexible work schedules, organized business has often weighed in on the wrong side. The Bush administration touched off a firestorm with proposed changes in the Fair Labor Standards Act governing overtime pay. A business-promoted version of this approach—taking effect before Labor Day if Congress doesn't block it—could well deny overtime pay to an estimated 6 million workers, including some making as little as \$24,000 a year, according to the Economic Policy Institute. Similarly, using the lure of more flexible work hours, the president recently endorsed a plan to let employees trade paid overtime for future “comp” time—but strictly on their employers' terms. It has outraged workers' rights advocates but won praise from prominent business leaders.

LESS THAN 10 PERCENT OF the nation's private-sector workforce today is represented by labor unions, yet this minority enjoys some of the most progressive “work-life” benefits nationally. In some cases, collective-bargaining agreements have made child care more accessible or affordable for union members' families. New York's Service Employees International Union broke new ground in 1992 with the nation's first labor-management child-care fund; today, 400 health-services employers contribute to its vast network of day-care and after-school programs, assisting nearly 10,000 youngsters a year. Elsewhere, unions have won hefty employer subsidies for on-site child-care centers, emergency “backup” care, and more. They've negotiated other important rights for members, too, like paid maternity leave for grocery workers, paid family sick leave for office workers, and numerous flexible work arrangements. In Los Angeles, service employees even won a guaranteed day per year of paid stress leave—something every working parent would envy.

At the same time that organized business represents an obstacle, individual corporations can boast of worker-friendly initiatives, though rarely ones that cut deeply into the bottom line. Whether motivated by enlightened self-interest, benign paternalism, or union pressure, more and more civic-minded corporations are indeed expanding workplace initiatives to promote career ladders, offer flexible work schedules, and even assist with the cost of child care. Their efforts run the gamut, from cost-free job-sharing

arrangements to far-reaching investments in career training, subsidized child care, and more, says Jennifer Swanberg, professor of social work at the University of Kentucky and co-author of a new report on the subject from Boston College's Center for Work & Family.

At Kraft Foods, for example, managers recognized the difficulties faced by the company's manufacturing plant workers: 60 percent of them are hourly employees, many juggling graveyard shifts, overtime work, and family demands. Under Kraft's flexible scheduling program, an employee needing a few hours off for personal matters or to attend to a sick child can simply swap shifts with a co-worker or use vacation time for a single day, options previously unavailable. Similarly, managers at the Texas-based H-E-B Grocery Company were concerned that conflicts between duties at work and home put struggling workers in an untenable position. “They essentially had to lie to care for their family,” said one. Since H-E-B started MedBank, a generous sick-leave program, employees can use paid time off for their own ill-

ness or that of a family member on a moment's notice.

Beyond offering basic autonomy and flexibility, companies can also become economic advocates for their neediest workers, giving them a vital financial boost by increasing their take-home pay. Most low-wage workers with kids qualify for the federal Earned Income Tax Credit (EITC), for example, but many still don't receive it. Officials at Hyatt Hotels teamed with nonprofit advocacy groups to identify eligible workers and help them file required returns. The TJX Companies—parent of TJ Maxx and Marshalls department stores, among others—went a step further, launching its TJXtra! initiative to promote a full range of publicly funded supports for low-



MCDAVID HENDERSON

income workers. Store associates—including some 5,000 employees the company has hired under its welfare-to-work initiative—can access information about the EITC, food stamps, nutrition programs, the Children's Health Insurance Program, housing subsidies, and more.

These efforts can yield real dividends for needy workers. Save-A-Lot Ltd., the nation's fastest-growing "value" grocery chain, hires its workforce from the inner-city and rural markets it mainly serves. Despite the company's commitment to pay starting wages averaging 40 percent above the federal minimum and automatic raises, many employees still struggle. According to company estimates, a part-time hourly employee might make \$13,174 a year to start. Adding the value of the EITC and food stamps, which the company actively helps them pursue, that worker jumps to \$18,127—hardly a king's ransom, but effectively a one-third pay raise. "We want to do whatever we can to help our employees stay with us long enough to get promoted," says Wendy Ardagna, Save-A-Lot's director of government programs and community relations.

For many low-wage workers, the toughest obstacle to long-term success is unreliable or inadequate child care. Bank of America saw this some 15 years ago when a company study turned up a close link between employee absenteeism and child-care problems. Its Child Care Plus initiative has since won national acclaim, offering cash reimbursements of up to \$175 a month to eligible employees, mainly those earning less than \$34,000 annually. IBM donates land or money and has helped build 74 child-care facilities worldwide in communities where the company has a big presence. While it typically turns the centers over to local operators, IBM reserves designated slots for its employees' children at market rates. And IBM makes additional investments to boost the quality of care—funding teacher training, for example, and providing computers for kids.

Increasingly, independent analyses confirm what enlightened corporate managers acknowledge: By helping relieve financial burdens and the other numerous stresses resulting from work-life conflicts, these investments reduce absenteeism and staff turnover, improve job retention, and increase productivity—thereby saving companies the related costs of recruitment and retraining. The cost-benefit calculus seems especially robust for child care. At Bank of America, associates receiving day-care subsidies in 2003 were twice as likely to stay with the company as those who weren't. And a study of JP Morgan Chase's backup child-care program showed a 100-percent return in a single year because 98 percent of the parents would have taken unscheduled time off if it hadn't been available in a pinch. Overall, payoffs like this may be biggest for low-wage workers, who seem most responsive to even small efforts on their behalf.

But high-priced corporate initiatives like these remain the exception to the rule. More commonly, companies find low-cost ways to help workers juggle work-life demands—by contracting child-care referral hotlines, for example, or offering

pre-tax flexible spending accounts for day-care costs. However, "cafeteria" benefit plans force working parents to trade off child-care benefits over other needs such as health or pension benefits.

SOME CORPORATE LEADERS FAULT GOVERNMENT FOR not doing more. "We're being expected to pick up where schools have failed, where parents have failed," says Ardagna of Save-A-Lot, "but we can't make up for broader societal failures." She notes that some employees joining her company arrive with high-school diplomas—but such poor literacy skills that they can't take advantage of basic training manuals. That has put the onus on Save-A-Lot to seek out literacy programs in several communities it serves.

"Companies have been anointed by default," agrees Klein. "They are getting involved in what have traditionally been public-sector roles because a lot of problems aren't being addressed and someone needs to address them. It's a new role, and one they've stepped up to very, very reluctantly." Like her colleagues, she laments the limitations of the most noble private-sector efforts in the absence of credible public-policy solutions. "We could have *doubled* the wage of every low-income employee at Marriott," she says, "and they still would not have been able to afford quality child care." She also notes that high-quality programs far exceed \$200 a week in the many metropolitan areas where Marriott operates.

Government policies are, of course, the product of politics, and organized business remains a major political player. In this respect, business seems to be sending a double message, as corporate America generally resists social investments that would increase taxes. It is certainly heartening that a growing number of companies perceive value in investing in their low-wage employees. But it's also telling that many of their own initiatives, like the EITC or food-stamp-awareness programs, piggyback on public subsidies. A survey of the most forward-looking of businesses suggests that even the best of corporate efforts can't hope to compensate in the absence of greater government investments to improve the lot of working families. And that, in turn, may require a dramatic reversal of the organized business community's resistance to major social investments and public regulation.

In the end, challenges facing hard-pressed working families—from woefully inadequate child care and health insurance to deep structural flaws in the way America educates today's students and tomorrow's workforce—must be addressed by Congress, the White House, *and* the business community. Enlightened self-interest (and public relations) might have prompted Wal-Mart to help some of its neediest employees. But that company's workers, and millions like them, will be far better served by a living-wage mandate, comprehensive health insurance for all, and serious public investments in job training—priorities the private sector has too long resisted as national policy. ■

Will business support social investment in America's workers as well as company fringe benefits?

Women and Children Last

The right wants welfare mothers to work but will not pay for the necessary child care.

BY AYLISH MCGARVEY

ONE REASON FOR THE RELATIVE SUCCESS OF WELFARE reform in the 1990s was expanded child-care subsidies to women making the shift from welfare to work. Since then, experts have been mining the data, seeking to understand the wide-ranging effects on children when their mothers work outside the home. What programs helped school-aged children? How did infants fare when their mothers went back to work? Did teenagers end up with additional child-care burdens of younger siblings?

The goal was to gather data that would lead to improvements in the assistance program when it came time to renew the law. That time should have been now. In 2002, the Temporary Assistance for Needy Families (TANF) measure expired. It has been given short, temporary extensions ever since, while Congress and the White House have debated the details.

But real debate on welfare reform has receded far into the background, overshadowed by record state-budget shortfalls and the thorny politics of reauthorization, which are even more complicated in an election year. What's more, because of tax cuts and a weaker economy, child care has dropped precipitously on the list of funding priorities of this White House. Ironically, that means that an administration set on putting people to work is making that process more arduous by failing to support the very child-care systems that would make working possible.

Children, not surprisingly, are most often the victims. According to the latest Census Bureau data, one in six American children lived in poverty in 2002. They are more likely to be poor today than they were 30 years ago. Children born into poverty are more likely to experience poor health and to be held back in school. They score significantly lower on reading, math, and vocabulary tests than nonpoor kids. And these shortcomings are likely to hinder their achievement well into adulthood.

Today, the very programs designed to counteract the effects of poverty on kids—such as subsidized child care, Head Start, and after-school programs—are being squeezed in the face of budget cuts, and, in some states, an increase in the number of families requiring welfare assistance. According to the Center on Budget and Policy Priorities, over the past two years, more than 35 states have made cuts in programs funded with TANF, including transportation assistance, teen-pregnancy programs, basic cash assistance, welfare-to-work programs, and child care.

This isn't what welfare reform was supposed to look like.

But in a highly politicized election year, with a weak economy and deficits as far as the eye can see, it may be all we can expect for some time.

ACCORDING TO THE BUREAU OF LABOR STATISTICS, IN 2002, 64 percent of mothers with children under age 6 and 78 percent of mothers with children ages 6 to 17 were in the labor force. But for low-income working mothers, success at work requires a stable child-care arrangement, which is usually enormously expensive. And according to calculations performed by the Children's Defense Fund, in 48 states, center-based child care for a 4-year-old costs more than tuition at a four-year public college.

The Child Care and Development Block Grant, which was created by the 1996 welfare-reform law, exists to help low-income working women pay for child care. But the Bush administration's 2004 budget proposal for the program included only a meager increase in child-care funding, while at the same time increasing work requirements for welfare recipients. This plan does not come close to meeting the needs of working families. Indeed, the funding does not keep pace with inflation, and experts estimate that 200,000 fewer children would have access to the program at the end of five years. Even today, many families wait on long lists to secure affordable child care.

Additionally, the quality of paid child care for low-income children is generally poor. Low-income working women are more likely to rely on informal "family day-care" arrangements, often with a relative or neighbor. These caregivers—especially those who provide child care in their homes—are frequently inexperienced and poorly paid. But center-based care, which can be a more organized and stimulating environment for a child, does not always accommodate the erratic work schedules for women in entry-level jobs.

Many states tried to improve child-care quality in the halcyon days of the late 1990s, but they no longer have the money to continue. Widespread research indicates that early and intense intervention with low-income children can seriously improve their later school achievement and social and emotional development, among other outcomes. And yet the nation's preeminent early-childhood program, Head Start, serves only 60 percent of eligible children between the ages of 3 and 5, while Early Start, its counterpart for infants and toddlers, serves a mere 3 percent of eligible children.

A low-income parent seeking quality child care faces a rough road. He or she might find that his or her state has reduced funding in the face of soaring deficits. In California,

for instance, state officials reduced outlays by \$47 million in 2003; Minnesota cut funding that same year by more than \$80 million, immediately denying subsidized care to some 1,300 families. Almost one-half of the states have waiting lists for child-care assistance; in California alone, there are nearly 50,000 families waiting for help. Furthermore, a parent who was eligible for subsidized child care one year might find him or herself ineligible the next year because of budget shortfalls. In 2003, Ohio reduced income eligibility ceilings, leaving an estimated 12,000 low-income children without benefits in the state that year. In Michigan, a similar effort saved the state \$1.5 million, but it also left many families without affordable child care. Finally, a working parent who does save every extra paycheck penny for child care might find that the state has increased the amount he or she must contribute out of pocket. Trying to meet a budget shortfall, Minnesota increased its parental fees by 50 percent to 90 percent, depending on parents' income. Other states have taken similar actions.

In some cases, these increases price parents out of employment altogether. Researchers agree that child-care costs often create a significant barrier to employment among parents with young children, particularly among low-income families receiving welfare or trying to move from welfare to work. Because women typically serve as primary caregivers for their children, a woman's attachment to the labor force is likely to be affected significantly by the costs of day care. Jean Kimmel, an economist at Western Michigan University, found that among both married and single women, increases in the price of child care reduced a woman's participation in the labor force, even when accounting for a host of other factors. "Mothers will be less likely to seek market work if the costs of taking a job are higher, and they will be more likely to seek work, the greater the difference between the market wage and the opportunity cost of their time," she wrote in *The Review of Economics and Statistics*. In other words, the presence of affordable child care for women can make or break a job.

But while mothers of young children struggle with the question of care, adolescent children of these working women often fall through the cracks in times of state budget cuts. States are cutting back on after-school programs for school-age kids and adolescents. Yet these programs are essential for teens of welfare moms who go back to work: Researchers find that when mothers go back to work, teens take on increasingly adult roles in the household, caring for siblings and housekeeping, leading them to act out in school and "try on" adult behaviors such as smoking and drinking, and to neglect their schoolwork. According to research distributed by the Welfare Information Network, after-school care can help with these academic and behavioral risks. But states facing budget shortfalls have also cut these programs over the last few years. After-school programs in California were reduced by \$7 million, and Washington, D.C., cut nearly

\$2.5 million from its programs. In Massachusetts, \$50 million used for community grants for after-school programs was cut to \$10 million.

Though these seem to be bleak days for low-income working women and their children, a few states and localities are protecting, and funding, programs that nurture children. In 2002, California took the huge step of enacting a comprehensive paid-family-leave program for workers. The program is funded entirely by employees through an after-tax mandatory payroll deduction, so it will not fall prey to budget cuts like other work supports. California was the first state in the country to do that, and it sets an encouraging precedent for other states to follow. According to the Institute for Women's Policy Research, low-income workers are the least likely to have sick-day or vacation pay they can apply toward newborn or family-disability leaves. Frequent interruptions in their work schedules can weaken an already tenuous relationship with an employer.

Another state that's taken drastic measures to compensate for the federal shortfall is Illinois, which in 2003 increased child-care funding by \$59 million to \$538 million. The program will serve nearly 200,000 children this year. In addition, Governor Rod Blagojevich increased the state's Early Childhood Block Grant by \$29.4 million that same year. The grant supports pre-kindergarten and other early-intervention programs. West Virginia also passed legislation requiring county school systems to offer pre-kindergarten classes to all 4-year-olds by 2013. Illinois, meanwhile, is in the planning stages of a program that

would make quality early education available for all 3- and 4-year-olds. And individual cities, including Boston, Chicago, Los Angeles, and Rochester, New York, are working to create or expand child care and early-childhood educational opportunities for young, disadvantaged children.

Back in 1996, the architects of TANF knew that the law's success—meaning the movement of women off of welfare rolls and into the workforce—was dependent on their finding adequate child care. In the full-employment context of the late 1990s, many states used the funding to create innovative programs aimed at enhancing the quality, rather than simply the quantity, of child care for low-income kids. This was a great strategy, considering that poor children need the highest quality early intervention to be ready for school.

But strong programs like the Child Care Development Block Grant only work when they are fully funded. The Bush administration has made clear its desire to see even more TANF recipients go to work for even longer hours than ever before. But without increasing funding for child care commensurately, the administration is leaving cash-strapped states high and dry, and forcing parents to make difficult choices between the well-being of their children and their performance on the job. None of TANF's sponsors proposed to sacrifice children. But as state budgets and working women are both squeezed, it is children who pay the price. ■

**Disruptions of work
schedules to meet
family needs can
sever a tenuous tie
with an employer.**

A Payday Bonus

The Earned Income Tax Credit helps “make work pay” for millions of hard-pressed families. Despite some blemishes that need fixing, on the whole it’s a real success.

BY ROBERT S. MCINTYRE

RUSSELL LONG WAS HARDLY THE DARLING OF LIBERAL TAX REFORMERS WHEN he chaired the Senate Finance Committee in the 1970s. In fact, we usually saw him as a toady for corporate special interests. But as the genial Louisiana

Democrat liked to say, even a blind hog finds an acorn once in awhile.

The Earned Income Tax Credit (EITC), first adopted at Long’s instigation in 1975, was the late senator’s acorn. And like an acorn, the EITC has become a mighty oak. Today, it is the federal government’s largest cash-assistance program for low- and moderate-income families with children. It enjoys broad popular support, in large part because, unlike welfare, you have to work to get it. (Contrary to the myth that the EITC enjoys bipartisan support, that feature doesn’t always impress GOP lawmakers in Washington.) Like any program, the EITC has its problems, but overall it’s one of the big success stories of the past quarter-century in making life better for hard-pressed working families.

Back in 1976 when it first took effect, Senator Long’s EITC offered low-income working families with children a tax break equal to 10 percent of their earnings. The credit, worth as much as \$1,300 per family, was phased out between \$13,000 and \$26,000 of income (all figures here and later are in today’s dollars). That sounds pretty good, but coming from a poor state, Long understood that tax breaks aren’t much use to families that don’t owe any income tax. So he made his EITC “refundable”—meaning the Internal Revenue Service sends people a check for any credit left over after they’ve cut their income tax to zero. As Long surely expected, this innovation proved a particular boon to his state. This year, 23 percent of Louisiana taxpayers will claim the EITC, second only to Mississippi at 25 percent. (In comparison, just 7 percent of taxpayers in a wealthy state like Massachusetts get the credit.)

To assuage members of Congress worried about “hand-outs,” Long’s committee reports justified the EITC refunds in part as “offset[ing] social security payroll taxes.” But they also defended the tax credit as “an effective way to provide work incentives,” and, more generally, as simply helping “a hard-pressed group in the population—the lower income worker.”

As inflation raged in the late ’70s, the Democratic Congress adjusted the EITC to maintain its purchasing power. But in 1981, Ronald Reagan passed his huge corporate and upper-

income tax-cut bill, and he let the EITC languish. Soon, inflation had eroded the credit’s value by a third—a loss that wasn’t reversed until the 1986 Tax Reform Act, when Democrats insisted on restoring the EITC to its earlier level and indexing it for inflation thereafter. Reagan, who had tired of supply-side-ism, went along—despite vociferous opposition from most House Republicans.

The EITC’s biggest increase came in 1990 under George Bush Senior. Led by Newt Gingrich, House Republicans rejected Bush’s deficit-reduction program and forced him to negotiate exclusively with Democrats over details of the tax increase that all responsible people agreed was necessary. After most matters were resolved, the fight came down to this: Bush wanted to sweeten the bill for his wealthy constituents with a capital-gains tax cut, while Democrats wanted a big EITC boost to offset the bill’s regressive excise-tax increases on the poor. The Democrats prevailed, and the EITC was almost doubled, to a maximum of \$2,550.

In 1993, Bill Clinton boosted the EITC by about 25 percent more, making the maximum credit \$2,600 for one-child families and \$4,300 for larger ones. This improvement was coupled with Clinton’s deficit-reducing tax increases on the wealthy, which passed the Congress without a single Republican vote.

Eight years later, George W. Bush pushed through a tax package overwhelmingly tilted toward the rich. But like his father, Bush Junior reluctantly accepted a progressive idea from congressional Democrats, who insisted that low-income working families should get something from Bush’s increase in the per-child tax credit from \$500 to \$1,000. As a result, the per-child credit, like the EITC, can now be “refundable.”

THIS YEAR, 16 MILLION FAMILIES WILL SHARE \$35 BILLION from the EITC, plus another \$10 billion in child credits. On average, those credits will be almost exactly enough to bring these families’ combined federal income and payroll taxes down to zero. EITC families making less than \$20,000 will do much better than that, with credits averaging 167 percent of their income and payroll taxes. EITC families making more than \$20,000 will get about

three-fifths of their income and payroll taxes eliminated.

As a wage supplement, the credit is quite powerful. The 3.3 million EITC families making less than \$10,000 a year, for example, take home about \$19 billion before income taxes. Their EITC and child credits raise that by \$7 billion—a 38 percent increase. For EITC families making between \$10,000 and \$20,000, the wage supplement is 25 percent. In both cases, it's like a \$2 an hour wage boost, tax-free.

Fortunately, 17 states and the District of Columbia now augment the federal EITC with their own piggyback versions. These initiatives range from Vermont's refundable credit (equal to a third of the federal amount) down to Maine's 5-percent nonrefundable credit. Advocates continue to press other states to sign on. And while more states should surely do so, they should keep in mind that unless its cost is paid for fairly—i.e., not with regressive tax increases or cuts in low-income programs—a state-level EITC's advantages can be undermined.

OVERALL, THE EITC IS A GREAT PROGRAM. BUT IT does have a problem that my friends rarely want to talk about: a strong bias against parents getting married. On talk shows, I often get calls from women com-

unwed ones. This wouldn't be hard to administer, but it would be very expensive.

I suppose one could argue that the EITC marriage penalty isn't much of a problem, as couples can simply avoid marriage if they want to take full advantage of the credit. But I find that argument unpersuasive. Someday, when a strong economy and sound fiscal policies put our government back in the black, the EITC's marriage-penalty problem will need to be addressed.

FOR ALL ITS VIRTUES, DOES THE EITC, AS A TAXPAYER-financed wage subsidy, perversely allow employers to pay lower wages by "subsidizing" work? It's a reasonable question, but it seems unlikely. After all, two-thirds of single-parent workers get the credit, but only a tiny fraction of other workers do. It's hard to imagine that employers, however nefarious, could arrange to pay their single-parent employees less than their married or childless ones.

And given practical political and fiscal realities, could the EITC's hefty cost be better spent on other strategies to help the working poor? Should we rely more on a higher minimum wage than the EITC, for example, thereby shifting costs away from federal coffers and saving public

Republican attacks on EITC "cheating" are hypocritical, given the GOP's failure to expand audits of larger-scale tax evasion by the unscrupulous rich.

plaining about how "my foolish daughter and her good-for-nothing boyfriend won't give my grandchildren a normal married home because they'd pay so much more in taxes." It's a valid concern.

Consider, for example, a couple with two kids, each partner making \$18,000 a year. As unmarried parents, each partner can claim a credit of about \$2,000. But should this couple marry, they would lose their EITC eligibility—representing a \$4,000 marriage penalty! Or take a couple with two children in which one partner earns \$60,000 and the other \$10,750. Hardly poor, you might say. Yet unwed, this couple is entitled to a \$4,300 credit. Married, they get zero. And overall, families with more kids forfeit the most.

What to do? One cheap solution would be to allow only one credit per household, and to base it on what the higher-income parent earns. Such restrictions used to apply but were dropped because many people simply ignored the rules and took credits they legally shouldn't have. Given that the old rules were so hard to enforce, abandoning them arguably made sense. More important, the changes dealt with nasty Republican attacks on the EITC, which claimed the program is permeated with cheating. Those complaints were hypocritical—they occurred even as GOP lawmakers were browbeating the IRS to scale back its efforts to stop much broader tax evasion committed by the unscrupulous rich—but they did have enough validity to gain political traction.

Another solution to the EITC's bias against marriage would be to let married couples take the same tax credits as

resources for other uses? Well, privatizing wage subsidies does have the notable advantage of not showing up in the budget. But a minimum-wage increase would likely fall short of the EITC in important ways. It would directly help far fewer families than the EITC, because most EITC recipients make well over the minimum now. And any minimum-wage raise would be less targeted than the tax credit to working families, because so many students and low-wage singles earn the minimum. Of course, that doesn't mean that the minimum wage shouldn't be increased. It *should*—but as a complement to the EITC, not a substitute.

In a \$12 trillion economy, you might think that a \$45 billion federal program wouldn't have all that much impact. Yet the Earned Income Tax Credit offers an awful lot of bang for those bucks. On average, it adds about \$2 an hour to the wages of 10 million low-income families with children, and about a buck and a half an hour to the wages of 6 million slightly better-off families. It provides a template for states to easily augment that assistance. And because it's inherently linked to work, it resonates positively with the general public.

Russell Long may not have quite delivered on his father Huey's promise to make "every man a king," but he left a bigger legacy for working families than he probably ever dreamed. ■

ROBERT S. MCINTYRE is the director of Citizens for Tax Justice.

The Politics of One America

How to build a coalition of the poor and the middle class to make work pay

BY ROBERT B. REICH

TO THE EXTENT THAT THERE'S A SOCIAL CONTRACT in America, it centers on work. If polls are to be believed, most Americans think that all full-time workers should be paid enough to keep themselves and their families out of poverty, that all Americans should have an opportunity to make the most of their talents and abilities, and that—regardless of what their parents do or fail to do—their young children should be adequately housed, fed, and educated, and should receive the medical attention they need so that one day they can become fully productive members of society.

To achieve these ends, America has created a patchwork of programs and services: a minimum wage, an Earned Income Tax Credit, unemployment insurance, welfare, job training, child care, Medicaid, low-income housing, and food stamps. Several of these were started in the 1930s, when a quarter of America's adult working population was jobless and just about everyone felt that he or she was in the same precarious boat. Some of these programs have been whittled away in recent years, as the middle class has gained ground. A 60-year guarantee of aid to families with children but no breadwinner was terminated in 1996. Almost all of these programs are now underfunded, relative to the need.

Almost by definition, this patchwork is not an integrated system. Eligibility standards vary considerably, depending on the program. There are too many overlaps, as well as too many instances where families fall through the cracks. Supports suddenly disappear when families reach certain income levels, creating disincentives to upward mobility. The patchwork's administration is clumsy, fragmented, and overly bureaucratic. Needy families often don't know how to gain access to various parts of it.

It is not difficult to conceive of a series of programs that would function properly, as a system; several of the articles in this special section of *The American Prospect* have pointed out how such a system might work. But how could it ever be enacted? Politics involves much more than a set of generally accepted ideals. It requires coalitions prepared to fight for a share of a limited budget against other coalitions that are fighting for theirs, and legislators prepared to go to battle in favor of measures that may impose costs on groups that will fight furiously to avoid them.

Politicians know only too well that the poor rarely vote. By contrast, high-income taxpayers who would shoulder

much of the cost do vote and are politically active. I recall meetings during the first years of the Clinton administration at which policy advisers presented elegant ways of reforming the welfare system, replete with child care, job training, health care, and temporary income supports for people who left welfare and went to work. The proposed system had many of the admirable characteristics that the authors of the preceding articles would commend. But I also remember the price tag. That system would have required more money than the welfare system was then spending. President Clinton concluded that the public would never support it. How could he justify spending more on welfare reform than the nation was already spending on welfare?

Today's public and political leaders seem even less willing to act on behalf of the poor and the working poor. Even something as simple as adjusting the minimum wage upward to take account of inflation is difficult to pull off now, given the clout of the small-business lobby. The last time the minimum wage was raised, in 1996, corporate support was purchased at the cost of tax breaks whose value exceeded the total estimated cost to business of the wage increase. This

time, presumably, the bribe would be much higher. Meanwhile, the Earned Income Tax Credit, whose concept was practically invented by Milton Friedman, is now under attack for inviting "fraud and abuse."

Chances for expansion seem dim; Democrats in Congress have done all they can do to protect it as is. At the same time, federal support for job training continues to decline. Despite the creation of a new system for the unemployed—featuring one-stop shopping for job-search assistance, job counseling, unemployment insurance, and job training—funds for job training have dropped substantially from their levels in the 1990s. Health care and child care for low-wage workers have fallen victim to state budget cuts and a Republican Congress more interested in exerting U.S. military force abroad than supporting low-wage working families at home.

But what if the problem is understood in much broader terms than helping the poor get good jobs and maintain their families? Suppose the nation's ideals about work and fair reward are perceived to be in jeopardy for working people in the middle as well as for the poor. What's the possibility for the creation of a new coalition—comprising the anxious middle class and the working poor—to obtain the work supports they and their families need?

Vulnerable middle-class families have more in common with the working poor than with the rich.

Over the years, Republicans have shown themselves to be adept at driving a political wedge between the middle class and the poor. They've used welfare, affirmative action, and immigration to make the hard-pressed middle think that their economic difficulties were attributable to poor blacks and Latinos. Yet these particular "wedge" issues aren't nearly as effective as they once were. After all, the guarantee of welfare is gone. Most of those who used to be on welfare rolls are now working, though still poor. Legal immigrants have become such a large portion of the population that politicians are courting them instead of bashing them. Americans are accustomed to a diverse workplace.

At the same time, the economic problems facing middle-class America have grown. The typical American worker now faces many of the same challenges as does someone who is working and poor. Indeed, middle-class workers are beginning to understand that they can suddenly become poor. Job losses, sicknesses or accidents, divorces or separations are pushing into poverty many Americans who had been earning middle-class wages. It's hard to drive a wedge between people who face almost identical economic perils.

New data paint a vivid picture of the pressures facing middle-class working families. According to an upcoming paper from the Economic Policy Institute, since 1980, wages for middle-income men—those smack in the center of the earnings ladder—have been flat at about \$15 an hour, adjusted for inflation. Meanwhile, wages for high-income men in the top 5 percent of earnings rose nearly one-third, from \$32 an hour in 1980 to \$44 an hour in 2003, taking account of inflation. At the same time, the costs of health care continue to soar as employers shift those costs on to employees via higher co-payments, deductibles, and premiums. As a result, a significant percentage of working Americans are now facing "sticker shock" when it comes to obtaining health insurance. Many are in danger of losing it.

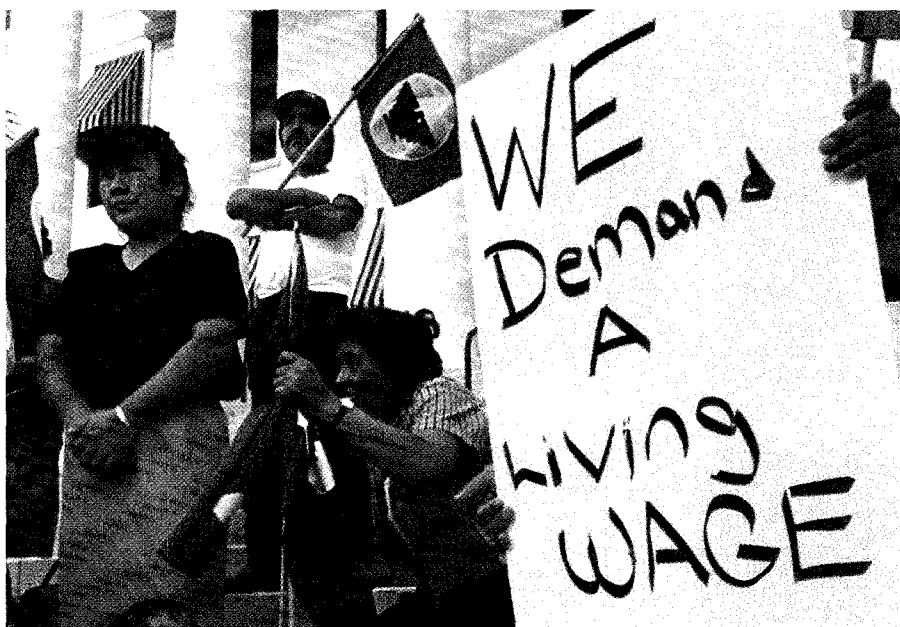
Another trend points to less and less job security for middle-income Americans. The Bureau of Labor Statistics' (BLS) recent survey of displaced workers shows that the rate of layoffs has continued to grow, in good times and in bad. The rate of layoffs between 2001 and 2004 was higher than it was during the 1990–91 recession. The rate was also higher in the boom years of the late 1990s than in the boom years of the late 1980s.

The BLS also found a troubling trend when it examined subsequent jobs that workers took after they had been laid off. During the most recent period, almost 60 percent of displaced workers reported that they were earning less in their new jobs than in the jobs they had lost. By contrast, between 1991 and 1993, 46.6 percent of those who got new jobs said they were earning less than in the old job, and in the boom years

of 1997 through 1999, only 42.2 percent said they earned less.

These trends should not be surprising. They're consequences of longer-term structural changes in the U.S. economy. Globalization and technology are boons to consumers, but they have also kept a lid on middle-class wages while making middle-class jobs far more precarious. Companies now have many ways to lower their costs. They are under more and more intense competitive pressure to do so. With wages comprising two-thirds of those costs, these businesses have every incentive to go offshore in search of cheaper labor, or to buy from suppliers that are already offshore. Alternatively, they will buy technology that can do jobs more cheaply than their employees.

In political terms, these trends mean that middle-class working families now have much more in common with the



working poor than they have had at any time since the 1930s. Indeed, middle-class working families are discovering that they need many of the same things as the working poor, such as a wage floor that keeps them from falling into poverty if their luck turns bad, affordable health care and child care, and effective training to get the next job or to upgrade their skills.

So is it now possible to create a coalition of the working middle class and the working poor that's strong enough to claim such supports? Perhaps. But even if conservative Republicans can't as easily drive a wedge between the anxious middle class and the poor, they will seek to distract many middle-class working Americans from acting in their own economic interests by deploying divisive social and cultural issues. They've done it before.

To win back the White House and Congress, Democrats will have to keep the debate focused on jobs, wages, and health care. To the extent that Democrats are successful, they can also lay the foundation for a coalition of the anxious middle and the working poor—a coalition capable of giving all Americans the income support and opportunities for upward mobility that are essential to the American dream. ■

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NOVEMBER 2003

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SETTING AN AGENDA

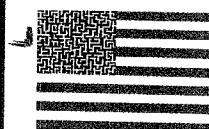
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SPECIAL REPORT: IMMIGRATION AND ASYLUM
THE AMERICAN PROSPECT
JANUARY 2003



IMMIGRANTS IN THE NEW ECONOMY

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IMBALANCE OF POWER

The Big Squeeze

Republicans have always defended big business. But they've never done it quite like this.

BY DAVID SIROTA

For most Americans, the last four years have represented a low point in our economic history. But for the big-business interests financing the Bush campaign, these have been high times. In previous eras, and even under previous Republican administrations,

corporate America was one of a number of players in the public-policy arena. But under the Bush administration, big business is both the player and the referee, having finally won its decades-long campaign to eliminate the boundary between executive suite and public office. No longer does the private-profit motive compete in the legislative process with public good; profit now owns the process, and the middle class is left to the vultures.

We technically have a representative government, but it is far less like democracy than like WWE wrestling—entertaining theater with colorful characters, much fanfare, and a few body slams, but ultimately a rigged outcome. Industry no longer needs to lobby hard for regulatory rollbacks, because many of its own lobbyists have been appointed federal regulators. Congress openly admits that business writes many of the most important pieces of legislation. The White House slaps an official seal on memos from corporate executives and labels them “presidential policy initiatives.” The vice president is permitted to own shares of stock in a company for which he coordinates government contracts. And the Oval Office is occupied by a man whose major life experience was not public service but money-losing business deals (that somehow seemed to just make him richer and richer). In short, the government is now a wholly owned subsidiary of corporate America.

This hostile takeover is no accident. After the crushing defeat of Barry Goldwater in 1964, conservative business interests began a campaign to intimidate, infiltrate, and ultimately take over Washington. As David Brock documents in his new book, *The Republican Noise Machine*, the chief architects of the right's new strategy laid out an agenda “whereby conservative business interests would create and underwrite a ‘movement’ to front their agenda.” And, slowly but surely, the campaign worked. This Republican Party–big-business nexus massaged its propaganda during the Nixon years, fertilized it under the Reagan administration in the 1980s, and incubated it into legislative experiments after taking over Congress in the 1990s. The George W. Bush era is simply the full-grown,

out-of-control, bastard child of this 30-year orgy that's been running roughshod over the middle class.

The business takeover of government seems, at first blush, unremarkable—like something that has been with us for years and is as natural to the order of things as the ocean's tides. But it is not natural at all. It is new, historically speaking, and blatant even by the standards of recent Republican administrations. To illustrate how far down this road we've actually gone, just contrast George W. Bush's categorical refusal to regulate the market with three of his Republican predecessors. Richard Nixon created the Environmental Protection Agency, the Occupational Safety and Health Administration, and expanded the Equal Employment Opportunity Commission—all agencies chartered to protect average people. Even while ideologue Ronald Reagan was doing his best to soak the poor, he was forced to increase at least some corporate taxes in his 1986 tax-reform package. And according to the conservative Heritage Foundation, George Bush Senior increased funding for regulatory enforcement by 18 percent.

This administration, by contrast, resists any government intervention or deviation from the big-business agenda, no matter how dire the situation. It is all the culmination of the industry's master plan: Take over the government and remove it as an obstacle to fleecing the average American. If any legitimate proposals arise to reregulate the market, they are bludgeoned with any red herring available: Health reforms are tarred as “socialized medicine,” tax reforms are attacked as “job killers.” While the fat cats make off like bandits, the rest of us are left, in five crucial areas of economic life, facing the big squeeze.

THE HEALTH-INSURANCE SQUEEZE

Last year, Americans spent 14 percent of all their money—\$1.5 trillion—on health care (such spending is rising at more than 7 percent a year). And those are the lucky ones: A report by the nonprofit Families USA found that 82 million Americans went without any health insurance at some point

in the last two years, an increase of 7 million from the same study a year ago.

For years, real solutions sat on the table, all of them requiring government intervention in the health-care market. Progressives in Congress proposed various single-payer systems, including legislation to extend Congress's own health-insurance program to the general public. In California, the state Legislature passed a bill forcing employers to provide basic coverage to their workers. Others proposed extending the state-level Children's Health Insurance Program to cover everyone. Presidential candidate Dick Gephardt suggested a hybrid: using both tax credits and government spending to bridge the gap. Those proposals have solid public support. According to an ABC News poll in October 2003, almost two-thirds of Americans "said they preferred a universal system that would provide coverage to everyone under a government program" as opposed to the current private, for-profit system.

So why has the president avoided addressing health care in a serious way? Because his health-care-industry donors are winning big from the existing system. A recent study found HMO profits increased 52 percent last year alone, meaning an extra \$2.3 billion was pilfered from American consumers. These are the same companies that since 2000 gave at least \$13 million to President Bush and key Republicans

when we're older, and, more importantly, many of us are not going to be able to afford the pills being peddled. While drug companies maintain some of the highest profit margins of any industry in America, drug prices are rising at three times the rate of inflation, and they continue to skyrocket.

Drug executives have the nerve to say their rip-offs must continue in order to fund the research and development of new medicines. These executives, backed by innocent-sounding, industry-supported think tanks like the Competitive Enterprise Institute, claim the "free market" must be left untouched because it has led to groundbreaking new drugs. What they don't say is that at least a third of all research and development is funded by the taxpayers. They also forget to mention that the industry enjoys massive R&D tax breaks that allow it to pay 40 percent less in taxes than the rest of corporate America. These subsidies have led to the development of major name-brand drugs like Taxol, AZT, and Tamoxifen. Our reward for that investment? The highest price in the world for those same drugs at the pharmacy. As the House Government Reform Committee notes, consumers in industrialized countries like Canada, Germany, Italy, and Great Britain all pay at least 30 percent less for brand-name medicines than consumers in America.

Serious solutions to the price crisis that cost little tax-

HMO profits increased 52 percent last year alone. These are the same companies that since 2000 gave at least \$13 million to President Bush and key Republicans.

in Congress, and who have seven former or current executives in the president's "Pioneer" club (those who gave him \$100,000 or more).

Those campaign contributions bought policies that either further pamper health-care executives or actually remove the government from the market entirely. The White House's major health-care initiative, for instance, is the "Health Care Savings Accounts." On the surface, the plan seems as innocuous as one of those HMO magazine ads. It is also just as misleading. In reality, the accounts are nothing more than tax incentives for employers and HMOs to terminate their existing coverage, raise deductibles and premiums, and make more money. As one study notes, widespread adoption of the plans could more than triple the annual health-insurance deductibles paid by workers.

And the White House's Medicare bill was no better. Its signature feature was a multibillion-dollar subsidy for private health-insurance companies to compete with the cheaper, government-administered program. The new law also included a little-noticed provision that allows companies to continue receiving a special tax break even if they reduce their employees' existing health-care benefits.

THE PRESCRIPTION-DRUG SQUEEZE

Turn on the television for more than five minutes and you will inevitably see an advertisement for a new drug. The ads portray happy seniors living life to the fullest, amped up on whatever pill the company is hawking. But the images are a fallacy: We're not going to look as good as those TV people

payer money have been around for years. But the drug industry, using lobbyists now appointed to key positions in the Bush administration, has convinced Congress and the White House that it will make less money if any of these solutions is adopted. The claims, of course, are untrue. A recent Boston University study points out that profits lost to lower prices would be made up by an influx of new consumers who previously could not afford to buy medicines.

Even if profits did slightly decrease, these companies would be far from Oliver Twist cases. The industry right now makes more money than it knows what to do with. According to Public Citizen, the drug industry pocketed \$39.5 billion in profits in 2002. That was more than half of the total profits of the entire Fortune 500 combined. Even if the pharmaceutical industry saw its 14-percent profit margin cut in half, it would still be more profitable than the auto, computer, and telecommunications industries. Its pleas of poverty are as insulting as Bill Gates buying you lunch at TGI Friday's and then telling you the meal will put him in the poorhouse.

Instead of mandating serious reform in the pharmaceutical marketplace, the Republicans in Congress have done everything possible to perpetuate the current system for an industry that has given them more than \$65 million in the last 10 years. In 1996, the new Republican majority followed the orders of Republican National Committee Chairman and former pharmaceutical lobbyist Haley Barbour, attaching an \$18 billion drug-industry tax break to a minimum-wage bill—without demanding lower prices from the industry in return. In 2000, the GOP leadership gutted House- and Senate-passed

provisions that would have permitted seniors to buy cheaper medicines from Canada.

And this year, President Bush gave the drug companies their crown jewel: a Medicare bill that includes a drug benefit, yet specifically prohibits Medicare from negotiating any price discounts. The bill will give the industry a half-trillion dollars to administer the new program, yet without any cost controls, even that sum is not enough to provide comprehensive drug coverage to seniors. In short, the bill created two new entitlements: a marginal one for Grandma and a vast one for the pharmaceutical industry.

THE ENERGY SQUEEZE

With automobiles consuming 40 percent of all the oil America uses, a big part of the energy solution naturally revolves around using less oil in automobiles. In the long term, that means serious investment in alternative energies and mass transit. In the short term, that requires forcing auto companies to make more fuel-efficient vehicles.

Those simple solutions have been attacked and distorted by energy companies, which in the last four years have reaped an additional \$50 billion to \$80 billion in new profits from the current situation. Instead of acknowledging the problem, these companies turn Alice-in-Oil-land fantasy into free-market ideology. The oil industry's executives claim with a straight face that the Earth "will never run out of oil" and call for more tax breaks for oil and gas drilling. That kind of rhetoric is translated into fodder for conservative, industry-backed think tanks that arm lawmakers with "facts." For instance, the libertarian CATO Institute, which receives grants from Chevron, ExxonMobil, and Unocal, issues reports claiming that "fossil-fuel resources are becoming more abundant, not scarcer." Similarly, the Chevron-ExxonMobil-Shell-backed Heritage Foundation issues talking points actually saying cars "clean our air."

These claims, of course, are wholly without merit: As *National Geographic* this year noted, "Humanity's way of life is on a collision course with geology [and] the stark fact that the Earth holds a finite supply of oil." Experts agree that, whether five or 30 years from now, supply "will ultimately top out, then dwindle." And there is no legitimate science to prove that burning fossil fuels is good for air quality or the environment.

But with the White House headed by two oilmen, industry nonsense substitutes for public policy. Within months of taking office, Vice President Dick Cheney convened a secret task force to solicit oil executives' help in writing federal energy policy. No matter that Cheney still held stock options and received a salary from the oil behemoth Halliburton, which stood to profit from the policy decisions. What mattered was paying back the industry that

gave the Bush campaign almost \$2 million.

The resulting legislation was a classic marketplace intervention by the government on behalf of industry—this time, to pay wealthy oil corporations to do what the government could have mandated for free. Billed as a "comprehensive energy plan," the energy proposal was nothing more than a series of multibillion-dollar tax breaks for oil and gas companies. Even though the president's own economic guru admits "the technology exists for sharply reducing and eventually eliminating the use of oil to fuel cars," the legislation included no fuel-efficiency standards at all. Making matters worse, the president proposed budgets that simultaneously cut funding for alternative fuel and hybrid-engine research while creating a new, \$100,000 tax write-off for people who purchase gas-guzzling Hummers.

Even the most serious crises brought no action. During the



Hey, Is That White Wine?: Bush appears before his "base," New York's Waldorf Astoria, September 2000.

West Coast energy crisis, when Enron was fleeing at least a billion dollars from consumers and laughing about it, the White House refused to support temporary price caps and pressured allies on Capitol Hill—including those from the West Coast—to vote them down.

THE WAGE SQUEEZE

As the Economic Policy Institute reports, average Americans' paychecks are getting smaller. During the "recovery" we hear so much about, the industries adding jobs pay about 13 percent lower than industries cutting jobs. In other words, people are being thrown out of their higher-wage manufacturing and information-sector jobs and shoved into low-wage restaurant and temp jobs.

Looking to the November election, the president feels he must ignore this reality and try to convince us that everything is hunky-dory. He says "our economy is getting stronger," and the vice president claims "real incomes and wages are growing." Yes, it is true, CEO pay is on the rise and corporate profits have risen by 62 percent since the last recovery. But in that same period, wages for workers have decreased by 0.6 percent—the worst record of any "recovery"

since World War II. As *The New York Times* noted, “The amount of money workers receive in their paychecks is failing to keep up with inflation.”

The president could have pushed the federal government to step in and mandate an increase in the minimum wage from its almost 50-year low, in terms of real inflation-adjusted dollars. Such a move would mean an immediate pay increase for roughly 9.9 million workers. With the poverty level increasing two years in a row for the first time in nearly a decade, he could have argued that we at least need a minimum wage that lifts a family above the federal poverty line. True, no one really expects a conservative president to push to increase the minimum wage. But this president did more than merely oppose an increase; he actually sought out ways to deregulate the labor market and slash pay even further, offering a series of policies that help his corporate benefactors cut their costs. First came legislation to eliminate overtime-pay protections for 8 million workers. Then came efforts to preserve more than a billion in government handouts to companies that export jobs. Then the president’s top economic adviser trumpeted the outsourcing of U.S. jobs to cheap overseas labor markets.

Now, the executive agencies are taking over. According to *The Associated Press*, the Bush Labor Department began

have not felt any real tax relief. As *The Washington Post* notes, economists agree that “Bush’s tax policies have shifted more of the tax burden to the middle class.”

What makes the situation so tragic is that the White House had such a historic opportunity to use the tax code to fight for the middle class, not against it. The recession, along with a massive surplus, gave the president all the political capital he needed. He could have expanded the Earned Income Tax Credit, a tax policy widely praised for rewarding work and helping people move out of poverty. He could have embraced a proposal to create regular rebate checks for every American, so that General Electric’s Jack Welch received the same tax rebate as his factory workers on the shop floor. There were even proposals to reform the payroll-tax system, changing it from one that exempts income over a certain level to one that exempts income below a certain level.

But to conservatives, that would have been heresy because it would mean no tax cuts for the wealthy few who fund their political campaigns. It means no tax cuts for large chemical and oil companies, like those enacted when the White House eliminated cleanup taxes on industrial polluters. It means preserving the estate tax, a levy that falls only on the wealthiest 2 percent of America, not eliminating it, as President Bush did. It means admitting a problem exists when the

This president did more than merely oppose a minimum-wage increase; he actually sought out ways to deregulate the labor market and slash pay even further.

“suggesting ways employers can avoid paying overtime” to their workers. Similarly, *The New York Times* reports that the Bush Commerce Department is participating in “conferences and workshops that encourage American companies to put operations and jobs in China.” And the Bush Treasury Department has tried to defy federal-court rulings by attempting to legalize “cash balance” pension schemes that reduce retirement incomes that companies promised to their older workers.

THE TAX SQUEEZE

Consider some statistics from the president’s tax policy: By 2010 more than half of all the president’s income-tax cuts will go to the richest 1 percent of the population (those making an average salary of \$1 million); by 2006, the average millionaire will receive a tax cut of \$52,000, while the average American worker—earning less than that tax cut, or \$36,000 a year—will get less than \$600.

But the story does not stop there. Along with tax cuts for the rich, Bush’s budgets actually raised fees by almost \$20 billion, including increased surcharges for veterans to receive health care. At the same time, states were forced to raise taxes by \$14 billion to deal with deficits, while experts estimate local property taxes rose an average of more than 10 percent between 2001 and 2003. And because these levies are not graduated like the federal income tax, they hit the middle class particularly hard.

So it is no wonder that at the end of this so-called tax-cutting era, polls show ordinary Americans saying that they

wealth of the top 1 percent doubles at the same time the wealth of the bottom 40 percent gets cut in half. It means reversing the practice of giving a \$52,000 tax cut to every millionaire in America while 1.7 million Americans fall below the poverty line.

In short, it means having a dialogue about what conservatives decry as “class warfare”—issues of rich and poor we all have to deal with but aren’t supposed to talk about because it makes fat cats uncomfortable.

AT A HIGH-SOCIETY DINNER DURING THE 2000 CAMPAIGN, George W. Bush looked out on the audience and joked, “This is an impressive crowd. The ‘haves’ and ‘the have-mores.’ Some people call you the ‘elite.’ I call you my base.”

We should give him credit: It is a rare occasion when a conservative politician admits who calls the shots, even in jest. Most of the time, the right wing’s real motivations are hidden under the populism of a cowboy hat, or in the fine print of books about the free market.

But what is happening in this country is no laughing matter. Average Americans are being screwed as never before, and our government is helping those turning the screwdriver. The result is that George W. Bush has become not just a “war president” on foreign policy but also on domestic policy. Only here at home, he is waging a war on the middle class, and the results have been downright devastating. ■

DAVID SIROTA is a writer for the American Progress Action Fund.

Cheap Trick

Bush's health-savings accounts are a bargain—provided you never get injured or sick.

BY BARBARA T. DREYFUSS

Back in 1996, Terry Johnson, the human-resources director for Ada County, Idaho, was excited about his new health-care coverage. He had just helped the county become the first in the United States to offer employees a medical savings account (MSA) as an

alternative to traditional indemnity health insurance, and he was eager to try it. The accounts would be exempt from state taxes up to \$2,000.

Under the program, Johnson would contribute \$900 to this account and his employer, the county, would contribute the remaining \$1,100. Johnson could use that money for medical expenses, and if he remained healthy and didn't use it up that year, it would carry over to the next year. He could even withdraw the money for any other use, although he would pay taxes on it (and if he was not yet 59, he would also pay a 10-percent penalty). Along with this he would have an insurance plan. The one catch: He would be responsible for the first \$2,000 in costs should he become sick. But the idea was that the MSA would be there to cover this high deductible.

"So I was thinking it's going to be great for me because at least I would have something to show for my good health at the end of the year," says Johnson. As a generally healthy person, he says, he felt that traditional insurance was a waste. "I just never got anything out of that benefit."

But Johnson made a bad gamble. That year, he decided to go hang gliding. "I broke my ankle," he notes ruefully. "And that pretty much ate up the funds because I had to have two operations." Because the county paid into the savings account in installments, and had only put in \$400 when Johnson sought medical care, not only did he have to pay the \$900 deductible employees were responsible for, he also had to front the full \$2,000 deductible "right off the bat." If he had stayed in his traditional insurance plan, he would have had a \$100 deductible and 20-percent co-payments for doctor services, up to an \$800 limit. While both plans may have cost him about the same amount in the end (it is unclear what the co-payments would have amounted to under the traditional plan), the MSA was definitely not the boon he had hoped for.

Things did not go much better for the county. It did save \$39,000 in insurance premiums for its employees, but that was only about half what it had expected, as fewer people than anticipated enrolled in the catastrophic insurance. Worse, Ada officials were shocked that, as a result of the

MSA, premiums for the employees who remained in the traditional insurance plan were going to skyrocket. "There was cherry-picking," Johnson told me, "because the MSAs drew all the healthy folks that would otherwise subsidize those that stayed in the rich traditional plan." With the traditional plan serving only the sicker employees, its costs mounted. In fact, the insurance company Regence Blue Shield of Idaho told the county that if it continued with the MSAs, it could expect premiums to jump an astronomical 15 percent—at a time when health-insurance-premium increases were the lowest in 30 years. (Nationally, employer premiums increased 2.1 percent in 1997 and 0.5 percent in 1996, according to a KPMG Peat Marwick survey.) At the end of 1997, the county dropped the MSA option.

DESPITE SKEPTICISM OF MSAs BY MANY EMPLOYERS, unions, and workers, promotion of such tax-free savings accounts and high-deductible insurance plans has lived on thanks to a band of ideologically minded conservative Republicans who have pressed for legislation and regulations to make them more attractive. With the arrival of George W. Bush in the White House, their efforts succeeded. Now, with health-care costs rising at double-digit rates and the latest data available showing more than 43 million Americans uninsured in 2002, health care is again a major campaign issue. And at the core of Bush's health-care campaign platform is expansion of these schemes.

Bush called for that in his State of the Union address and lauds them at virtually every campaign stop. In March, at a discussion sponsored by the Chamber of Commerce, he declared, "I've made my stand. I believe that the best health-care policy is one that trusts and empowers consumers, and one that understands the market."

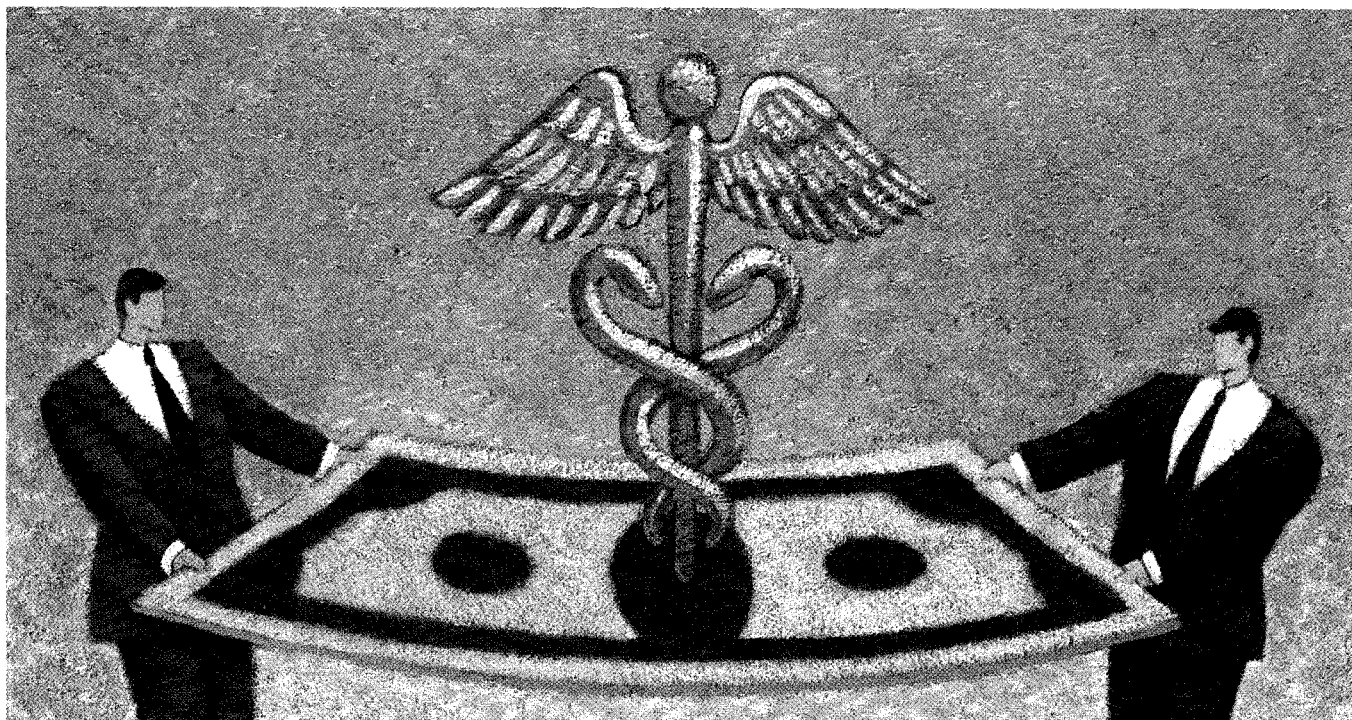
Tax-free MSAs, along with high-deductible plans, are simply a way to make individuals pay a larger share of their health-care costs. Conservatives put a pretty face on the system, calling it "consumer-directed health care," a term designed to play off the public backlash against the tight

restrictions that were imposed in the past by HMOs. They argue that consumers, not insurers, should determine what care they need. And they should pay for it themselves, with money that employers and employees put aside in various tax-free accounts. People will become wise shoppers, they argue, look for bargains, and purchase only the care they need. Conservatives predict that this will drive down costs. And for major medical problems, they argue, people will have catastrophic insurance.

Nixon administration economist Jesse Hixson is often credited with developing the concept of health banks to fund health care. But it was Patrick Rooney, former head of Golden Rule Insurance Company, who spearheaded the political organizing that ultimately got state and then federal action. Rooney has poured more than a million dollars into

were also required to buy high deductible insurance, which also required consumer co-payments. Democratic opposition, led by Senator Ted Kennedy, limited the number of people in such plans to 750,000. The Government Accounting Office reported that after two years, only 50,172 people were enrolled.

Then Bush, pressured by conservative Republicans on Capitol Hill and pro-tax-cut and small-business groups, came into office, determined to dramatically speed up the adoption of these tax breaks and insurance schemes. First the Treasury Department, in 2002, approved Health Reimbursement Accounts, another form of tax-free fund. Paid by employers, employees can use them to pay health-care costs. But these were limited in appeal because they were not portable from job to job and workers could not contribute to them.



Republican coffers since 1989. Golden Rule, now part of UnitedHealthcare and run by Rooney's daughter, was a pioneer in health savings account (HSA) schemes. Rooney's zeal for MSAs dates to a 1990 meeting with John Goodman, founder of the National Center for Policy Analysis (NCPA), who in turn had been converted to the cause by Hixson. Rooney joined the center's board and helped fund it. The NCPA, along with a bevy of conservative think tanks—including the Galen Institute, the American Enterprise Institute, the Cato Institute, and The Heritage Foundation—are the champions of consumer-directed care. Rooney also pulled together a group of small insurers, which founded the Council for Affordable Health Insurance in 1992, to promote it.

Despite those efforts, the brave new world of consumer health care didn't really begin on the national level until 1996. (A number of states like Idaho had already allowed accounts exempt from state taxes to be used for health expenses.) After a fierce partisan battle, Republicans enacted legislation to allow tax-free accounts, called MSAs, but only for small businesses and self-insured people. Consumers

Then, last November, with strong help from the White House, Republican congressional leaders succeeded in attaching to the Medicare prescription-drug bill a tax-free account that corrects these problems and threatens to dramatically alter health insurance as we know it. Former House Speaker Newt Gingrich, a strong opponent of a government-run Medicare program and of comprehensive employer insurance programs, was instrumental in persuading reluctant Republicans to vote for the Medicare bill because it allows these tax-free funds, dubbed HSAs. Gingrich lauds them as "the single most important change in health-care policy in 60 years." The new law now allows funds to be contributed by both employers and employees, rolled over if not used, and taken from job to job. It's also available to everyone. But it requires people with the savings accounts to have only a catastrophic insurance plan with a high deductible.

Experts believe that, thanks to the new law, consumer-directed health care is about to take off. Strapped with 14-percent premium increases in 2003, employers are desperate for a strategy to cut costs, and HSAs are a more subtle way to

shift costs on to workers than merely raising premiums. Many employers appear ready to offer the HSA—catastrophic plans as an option alongside traditional insurance, but others will offer employees various savings-account-high-deductible insurance options only.

President Bush and administration officials are on a crusade to get the word out to employers. Almost immediately after Bush signed the Medicare law in December, the Treasury Department issued guidelines to jumpstart the plans and, in all, eight have been issued in the eight months since the law passed. On May 19, Treasury Secretary John Snow told a Senate Aging Committee hearing that HSAs are “one of the single best ideas” to deal with rising health-care costs.

Republicans also see HSAs as a way to slash budgets for federal and state employees, both by shifting health costs on to workers and by reducing overall utilization. They would like to use them in Medicaid and Medicare, too. In April, the Office of Personnel Management asked insurance carriers for proposals to offer HSAs to federal employees next year. Gingrich, now at his own think tank, has launched a project to promote these accounts to states. It’s aimed at having all state-employee health plans and Medicaid programs offer HSAs within three years. Gingrich is also lobbying Congress to open Medicare to HSAs. And Lumenos Inc., which admin-

for health care or they won’t be wise consumers, so no employer is going to totally cover the deductible. In fact, a survey of almost 1,000 companies, most with more than 500 employees, conducted by Mercer Human Resource Consulting and released in April, found that 39 percent did not anticipate putting any money into savings accounts.

Besides the huge deductibles, consumers will have co-payments as well. While the law does set limits for total out-of-pocket spending, deductibles, and co-payments for in-network care, these are set at a high \$5,000 for individuals and a whopping \$10,000 for families. In fact, consumers can get stuck with even higher medical bills. First, the liability limits only apply if people use doctors and hospitals in the insurer’s approved network. If a person decides, for whatever reason, to go to a provider outside the network, there is no ceiling on what he or she pays out of his or her own pocket. What’s more, the insurance and spending caps only apply to “covered” care. Republicans are already trying to reduce the scope of care that insurers are required to cover. In that regard, House Speaker Dennis Hastert has endorsed legislation to allow people to buy insurance in other states if their own imposes too many mandates on insurers.

While some supporters argue that employees will have lower premiums to pay, even if their deductibles and co-pays

The new Medicare law calls on families to pay the first \$2,000 in costs. But the deductible is up to the employer, and many plans will require much higher ones.

isters consumer-directed plans for employers who directly pay employee health expenses, has already been talking with top officials in three states about setting up such a plan for disabled Medicaid enrollees.

On a state level, no one has been a more ardent supporter of HSAs than the president’s brother, Florida Governor Jeb Bush. After signing legislation June 14 requiring all insurers in Florida to offer HSAs to small businesses, he started a two-month road show, hosting town-hall meetings throughout the state to promote them. Press reports indicate that Bush wants to provide HSA-type accounts for Florida’s Medicaid recipients as well.

THE PROBLEM IS, THESE ACCOUNTS MAY BE “ONE OF THE single best ideas,” as Snow put it, to deal with rising health-care costs for employers, but they are one of the worst for individual employees. While Terry Johnson was lucky to have an insurance package that limited his liability to \$900, most employers will not be so generous, leaving anyone foolish enough to sign up for an HSA with the possibility of enormous health-care debts. First, the new Medicare law calls on families to pay at least the first \$2,000 in costs; individuals must pay, at a minimum, the first \$1,000, but the deductible is up to the employer, and many plans will likely require much higher ones. The current average deductible in insurance plans is \$300 for an individual and \$600 for families.

Supporters argue that employers can offset these costs by contributing to the savings account. But the whole premise of this approach is that people must feel some pain in paying

rise, that is not necessarily so. How much employees pay in premiums will be up to the employer. More generally, “Employers will use it as a reason to shift costs on to employees or get out of the business altogether,” says JoAnn Volk, legislative representative for the AFL-CIO. “And they will say, ‘I’ll make a contribution to your account, [then] you’re on your own.’” Neil Trautwein, the National Association of Manufacturers’ assistant vice president for human-resources policy, agrees. “We see the wheels coming off employer-based health care,” he says. “Costs have risen to such an extent, and Americans are aging. We really see increasing problems with maintaining the employer-based model into the future.” He worries that unless Americans can be persuaded to buy into the idea of consumer-directed care, “increasingly calls will come for a government-run system.”

Chris Jennings, deputy assistant to President Clinton on health policy and now an informal adviser to the John Kerry campaign, says that concern about workers losing employer insurance coverage is one of Kerry’s problems with HSAs. Jennings points to a recent study by MIT economist Jonathan Gruber, which warned that HSAs could increase the number of uninsured as employers use HSAs as an excuse not to provide coverage.

Some smaller employers have started to use HSAs in the six months the law has been in effect, although the law passed too late in the benefit enrollment cycle for most large employers to make the shift. But it looks like they’ll catch up next year. The Mercer survey found that nearly 75 percent are “very or somewhat likely” to offer an HSA by 2006. Another

survey, by the National Business Group on Health, of 159 of the nation's largest companies found one-third expecting to offer a consumer-directed plan next year. The Mercer study also found that nearly half of large employers surveyed hope that HSAs will let them back away from retiree benefits, as workers will now be able to accumulate tax-free cash to pay for retirement health costs.

FORCING WORKERS TO SHOULDER A MUCH LARGER PART of their medical expenses to cut health-care costs for employers is likely to harm consumers in other ways, too. To begin with, Jennings warns that these plans, to the extent that they reduce overall costs, do so by "reduc[ing] the use of desirable as well as undesirable care." In other words, people will stop getting the care they need in addition to the care they don't need.

Initial results at firms with tax-free accounts show that these accounts cut use of services. People go to the doctor less often, have fewer surgeries, make fewer hospital visits, and use fewer medicines. Textron Inc., which manufactures aircraft and other products, has shifted all its employees into consumer-directed plans. The company started in 2002 with the 1,500 employees in its corporate office center and at Textron Financial. An analysis of two years of claims data

that at his own company, early evidence showed that those who went into these types of plans "are clearly healthier."

That leaves the less healthy covered by traditional comprehensive insurance, which drives premiums up. A "death spiral for comprehensive coverage is definitely a risk," warns Edwin Park of the Center on Budget and Policy Priorities. This breaks down the "basic function of insurance," warns Davis. "The purpose of insurance is to collect premiums from everyone, healthy and sick, and you use the money to help the sick pay their medical expenses." Concerned about this, many insurers offer employers—and employers offer employees—only these products as a total replacement for traditional insurance. Bertko told the Joint Economic Commission that Humana, for example, would do this in order to "maintain the integrity of this risk pool."

Even conservative champions of consumer-directed health plans may find them unsatisfactory in the long term, says Republican Liz Fowler, chief health counsel of the Senate Aging Committee. Fowler stood up at a Hill forum on consumer-directed health care, sponsored by the bipartisan Alliance for Health Reform, to tell the panelists who back the concept to try it before they tout it. Fowler said she is enrolled in a health reimbursement account that includes a \$1,000 savings account contributed by her employer, the government. She

Says Liz Fowler, GOP counsel to the Senate Aging Committee: "My experience has been awful ... I have a Ph.D. in health policy ... It's impossible to tell what's covered."

for the pilot program enrollees, compared with when they had traditional PPO insurance, found overall medical usage down 7 percent, inpatient hospital admissions down 22 percent, outpatient hospital visits down 6 percent, emergency-room visits for less severe conditions down 9 percent, total surgeries down 11 percent, physician office visits up 3 percent, diagnostic tests down 5 percent, and total prescriptions down 1 percent. Aetna found a similar pattern for 13,500 people who enrolled since January 2003 in its health reimbursement arrangement.

Conservative Republicans would applaud these numbers. But what happens if the upshot is many more people not getting the treatment they need? "It leads to a reduction in care, period, including care that's needed," warns Karen Davis, president of the Commonwealth Fund, a foundation that sponsors health-policy research. Not only will more people end up waiting until illnesses are urgent before they go for care, she says, but public health could be affected as people avoid going to the doctor for what they think are coughs and colds but turn out to be more serious infectious diseases.

Another long-term drawback of MSAs and high-deductible plans will be rising premiums for those with traditional insurance. Congressional Budget Office analysts, citing Ada County's experience, warned that other such experiences and "economic theory" indicate those who would choose such plans would be the "relatively young and healthy." Despite denials by HSA advocates, preliminary data confirms this. Humana Chief Actuary John Bertko stated at a Joint Economic Committee hearing in February

is responsible for another \$600 before insurance—which includes a 20 percent co-payment for in-network care (40 percent for out of network)—kicks in. How well has it worked?

"Let me tell you," she said at the gathering, "my experience has been awful. I don't consider it consumer-directed, and it certainly is not consumer-friendly. I have a Ph.D. in health policy and also a law degree, and if that's not an informed consumer ... It's impossible to tell what's covered. I had allergies ... [and] a bum knee and needed physical therapy. They still can't tell me exactly how much I owe. Some things are paid for under the \$1,000 at first, but not covered if you don't use it in the \$1,000 and have to seek care for it later on. Some things make your doughnut grow bigger; for example, if you use out-of-network services. ... I found out my allergy shots were \$700 and my colleague ... who has [the] same doctor, his allergy shots were \$400. So I wouldn't say it's an open box, I would say it's a black box."

Conservatives, however, are hoping that most consumers won't oppose these changes, especially if employers gradually transition to consumer-directed plans and much greater employee costs. "If you put a frog in hot water, it will jump out," says Dr. David Himmelstein, a founder of Physicians for a National Health Program. "But if you put it in cold water and slowly boil it, you can cook it." Hopefully consumers will tell employers exactly what they think of these plans before the entire health-care system has been cooked. ■

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Cell Block

Bush's politicized stem-cell decision puts California on the verge of a "scientific secession."

BY CHRIS MOONEY

TWO YEARS AGO, EVAN SNYDER, A DEVELOPMENTAL AND child neurologist, was working at the Harvard Medical School, transplanting neural stem cells into the damaged brains and spinal cords of mice and other animals and watching them reconstitute tissue or recover function. "I had just moved to better lab space," Snyder recalled in June at the Argent Hotel in downtown San Francisco, where he'd gone to attend the Biotechnology Industry Organization's annual conference (BIO 2004). At the time, President Bush had recently announced strict limits on federal funding for embryonic-stem-cell research, and Snyder, like many scientists, sensed the federal government's troubled and hesitant relationship with a field he considered deeply promising.

Then, in September 2002, in an action that Snyder says "sent out a signal to scientists across the country," California passed a bill to explicitly endorse embryonic-stem-cell research, thumbing its nose at the White House in the process. Bush had limited federal funding to the study of currently existing stem-cell lines—research to which the National Institutes of Health (NIH) awarded \$24.8 million in 2003—but the California legislation announced that the state would welcome much more expansive scientific inquiry. By early 2003, Snyder had left Harvard and relocated to the Burnham Institute in La Jolla, California, where he now heads the stem-cell-research program. Alliance for Aging Research Executive Director Daniel Perry calls Snyder a "poster boy for scientists that are willing to pack up and move" over the issue of embryonic-stem-cell research.

Now California has embarked on phase two of its defiance. This November, Californians will vote on a stem-cell ballot initiative that could trigger a far bigger influx of scientific talent while simultaneously providing the closest thing to a popular referendum on the Bush policy. The initiative, Proposition 71, would license a stunning \$3 billion public investment in stem-cell research over the next decade, shat-

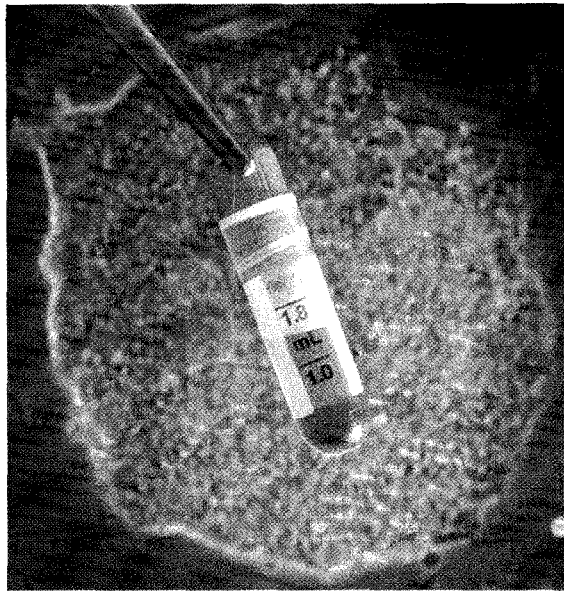
tering the Bush limit on available lines in the process. The initiative would support both embryonic-stem-cell research and the asexual creation of human embryos for research purposes (research cloning) while also establishing the California Institute for Regenerative Medicine, a kind of mini-NIH. If it passes, Proposition 71 would create a "brain drain within the United States to California," predicts Irving Weissman,

a Stanford pathologist and cancer biologist and a leader in the study of "adult" stem cells.

Along with Weissman, other top California scientists, like Nobel laureates Paul Berg of Stanford and California Institute of Technology President David Baltimore, have lined up behind Proposition 71, which proponents promise will more than pay for itself in reduced health-care costs down the road. Also supportive or working on behalf of Proposition 71—supporters of which have already raised more than \$7 million to promote the measure—are an array of Hollywood celebrities, disease activists, business groups, and state officials like Treasurer

Phil Angileles. When she spoke up in favor of embryonic-stem-cell research this May, Nancy Reagan found herself flanked by initiative supporters. And Proposition 71 can expect a boost from Kerry's strategists' decision to front embryonic-stem-cell research in the 2004 campaign, handing a prime-time slot during the Democratic national convention to Ronald Reagan's son Ron to promote the issue.

Granted, Governor Arnold Schwarzenegger remains officially agnostic on Proposition 71. And, given the state's money woes, even the initiative's clever funding scheme—using self-financing bonds for the first five years—might fail to appease voters. Yet regardless of its ultimate fate, California's movement toward what *The Wall Street Journal* memorably dubbed "scientific secession" underscores the dramatic failure of President Bush's restrictive policy on embryonic-stem-cell research. In 2001, the president claimed that he supported exploring "the promise and potential of stem-cell research"



within moral limits. Yet scientists and disease activists have experienced such dramatic constraints under his policy that they've taken a radical step to circumvent it. What they're attempting is unprecedented: relieving the federal government of its responsibility for funding a major area of scientific research, and bestowing that duty on a state.

SCIENTISTS HAVE LONG KNOWN THAT THEIR FAVORITE LAB critters, mice, have both adult and embryonic stem cells. But in 1998, several research papers showed the medical promise of stem-cell research for human beings. Most prominently, biologist James Thompson of the University of Wisconsin published a paper in *Science* magazine revealing that he had isolated cells from the inner mass of human embryos, which had been donated for research from in vitro fertilization (IVF) clinics. The cells could divide indefinitely in culture (i.e., they were practically immortal) and had the potential to grow into every different cell type in the body—they were what scientists call “pluripotent.” These attributes suggested that embryonic stem cells could generate a wide range of replacement tissues for human transplantation, potentially leading to cures for degenerative diseases like Parkinson's and diabetes while also fueling deep new insights into the processes of human development.

lines fit this criterion. Scientists were skeptical, and it soon became clear that the NIH-derived figure referred to stem-cell *derivations*—i.e., every known case in which scientists had removed the inner cell mass of a blastocyst before the Bush deadline. Derivations, however, may not always develop into cell *lines*, which must reliably grow and divide in culture so that scientists can study them in experiments and ship them to colleagues. Stanford professor emeritus of medicine Berg, a strong supporter of California's Proposition 71, vividly explains the problem with many of the so-called Bush lines: “At some point, somebody took a blastocyst from an IVF clinic and cracked it open and poured everything into a vial and stuck it into a liquid nitrogen tank—in which case we don't know if it's a line. And most of them died, and that's why there are so few now.”

But the Bush White House, lacking a science adviser at the time, either didn't know or didn't care about the distinction between derivations and lines. “It is clear, in retrospect, that the White House sent Bush out on national television without having vetted (or even understood) the biological status of the cell lines he had embraced as the foundation of his compromise policy,” journalist Stephen H. Hall notes in *Merchants of Immortality*, his book on the stem-cell debate. After considerable stonewalling, on September 5, 2001,

Bush's policy precluded the funding of lines derived in later years through more advanced techniques, or with different genetic makeups. It froze science in time.

But there was a catch. To extract the embryonic stem cells, Thompson had to destroy the IVF embryos. With his lab in possession of five embryonic-stem-cell lines derived from this process, a great controversy had officially begun. Soon after his disclosures in *Science*, the Clinton Department of Health and Human Services drafted a legal opinion concluding that the new research could receive federal funding from the NIH. True, for the previous two years the Republican Congress had blocked federal funding of research that destroys human embryos. But the new Clinton opinion identified a loophole in the law: As long as the NIH didn't fund the destruction of embryos, the administration argued, it could fund promising research on cells resulting from that destruction.

In 2001, President Bush publicly agonized over this policy. His constituents, meanwhile, were split: The religious right painted the federal funding of embryonic-stem-cell research as morally wrong because of the necessary destruction of human embryos, but some prominent Republicans, like Orrin Hatch, favored federal funding because of the research's medical and scientific promise. Ultimately Bush opted for a compromise: He would allow federal funding of research, but only on already derived cell lines. Thus, at least arguably, the federal government would not be complicit in the death of any embryos. From August 9, 2001, forward, Bush declared on national television, the NIH could only fund research on embryonic-stem-cell lines “where the life-and-death decision has already been made.”

In the same speech, Bush pronounced that “more than 60”

Health and Human Services Secretary Tommy Thompson admitted to Congress that far fewer lines than promised were ready to be used. On the morning of September 11, *The New York Times* ran a telling front-page story headlined “Scientists Urge Bigger Supply of Stem Cells.” A panel from the National Academy of Sciences, the paper reported, had concluded that for science to thrive, more lines would have to receive federal funding. Only the tragedy of 9-11 prevented a far earlier and broader recognition by most Americans of just how flawed the president's decision—and the process leading up to it—had actually been.

Instead, it took nearly three years, and growing dismay among scientists and politicians, before any government official finally owned up to the limitations the Bush policy placed on research. In March 2004, the NIH admitted that even under the “best-case scenario,” only 23 lines would likely ever be available under the Bush policy. And on May 14, 2004, NIH Director Elias Zerhouni wrote in a letter to members of Congress that “from a purely scientific perspective, more cell lines may well speed some areas” of scientific study. As of this writing, scientists can only obtain 21 of the promised lines, and even that number exaggerates how many they work with regularly. “Realistically, it's probably only six or seven that people really use and feel comfortable with,” says Snyder.

GIVEN THIS HISTORY, WE SHOULD HARDLY BE SURPRISED at the shortcomings of a policy that claims to support scientific inquiry. One problem, as Evan Snyder explained to me over coffee in the Argent Hotel's jazz bar, is what we might

call the “laptop analogy.” As I struggled to type down everything Snyder had to say, he paused and gestured toward my computer. “Can you promise me that when we meet three years from now you’re going to be using the same laptop?” Snyder asked. Of course not, he continued. Bush’s policy precluded the funding of lines derived in later years through more advanced culturing and derivation techniques, or with different genetic makeups. It froze science in time.

What’s more, because all of the Bush-approved lines come from IVF clinics, they hardly represent the genetic diversity of America. Rather, they contain the genes of affluent, mostly white Americans with fertility problems. Without a wide array of genetically distinct embryonic-stem-cell lines, scientists could find themselves inclined to wrongly infer that the quirky behavior of a few individual lines reflects the nature of embryonic stem cells in general. Moreover, because the lines come from embryos left over from IVF treatment—i.e., they were not chosen for implantation—scientists suspect they may have been flawed or undesirable to begin with. “They’re not perfect in a family that already has a medical problem,” says Snyder.

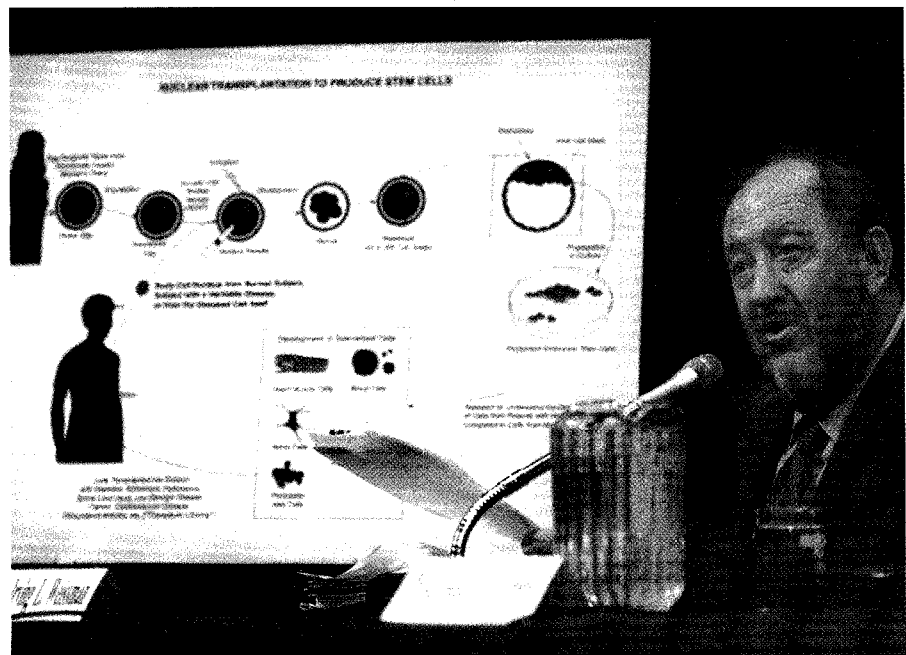
And perhaps most devastatingly, if embryonic-stem-cell research truly aims at curing disease, the existing lines probably cannot support that goal. All of the currently available 21 lines grew on a layer of “mouse feeder cells,” raising concerns about potential viral contamination that makes the developed cells potentially unsuitable for transplantation into patients. Scientists have begun to develop culturing techniques that don’t rely on mouse-feeder layers. Lines produced in this manner, however, won’t qualify for federal funding in the United States.

From the standpoint of understanding and ultimately curing diseases, the existing lines have yet another deficiency, as Irving Weissman explained to me last June when we met in his office at the Stanford University School of Medicine’s Beckman Center. Ideally, Weissman said, scientists would like to have pluripotent stem-cell lines containing the genes of a diabetic, an Alzheimer’s patient, someone with cystic fibrosis, and individuals suffering from various types of cancer—basically, a stem-cell line for virtually every disease. Then, by injecting the human cells into living mice and watching them grow, scientists could observe the step-by-step evolution of the disease over the short life span of a mouse rather than the long life span of a human. “You might be able to start to understand, especially with complex genetic diseases like Lou Gehrig’s, which gene goes wrong in which order to cause that disease,” says Weissman.

The problem is, these disease-specific cell lines can’t come from embryos derived from fertility clinics, as the federally approved lines do. Instead, they would have to be obtained through the process of somatic-cell nuclear transfer, some-

times called “therapeutic cloning.” It’s simple: Find someone suffering from a given disease, extract the nucleus from one of their body cells, implant it in an unfertilized egg, get the egg to start dividing, and then extract pluripotent stem cells from it to start a line. Weissman says this technology could dramatically contribute to our understanding of diseases. Proposition 71 would support it. By contrast, Bush and his conservative allies want to criminalize the process out of the questionable fear that it could lead to reproductive cloning (which the Food and Drug Administration and many states have already banned anyway). “Whoever of you acts to ban this research is responsible for the lives it could save,” Weissman warned legislators at a recent Senate hearing.

Meanwhile, the rest of the world is making strides. In February, South Korean researchers published a paper show-



Charting New Territory: Irving Weissman testifies before the Senate, February 2002.

ing that they had derived human-research embryos through cloning and extracted stem cells from one of them. Great Britain, one of the most advanced nations in embryonic-stem-cell research, recently opened a new U.K. Stem Cell Bank. Other countries, from Australia to the Czech Republic, have also invested significantly in the science. In May, *The Boston Globe* conducted a survey and found 51 lines worldwide (though the article did not specify their states of development). In fact, the *Globe* predicted the possibility of “more than 100” global lines by the end of 2004. One of the lines, the *Globe* reported, has the genetic mutation causing cystic fibrosis, the first of potentially many such disease-specific lines. But no research on those lines will be able to be funded in the United States.

DESPITE THE OBVIOUS FLAWS OF THE BUSH POLICY, CONSERVATIVES claim that the Bush lines suffice for research, that the promise of embryonic-stem-cell research isn’t all it’s cracked up to be anyway, and that adult stem cells can substitute for embryonic ones for research purposes. To prove their case, they rely on fringe scientists (or nonscientists),

ignoring the views of leaders in the field. Consider, for example, a lengthy article published recently in the *National Review Online* by Eric Cohen, a consultant to the President's Council on Bioethics. Cohen argued that "at least for now, the number [of lines available under Bush's policy] continues steadily to increase." He also argues that embryonic-stem-cell research has been hyped: "The promise of embryonic-stem-cell research is very real but wholly speculative. No human therapies of any kind have yet been developed or tested, and none are on the horizon."

I read this passage to Paul Berg, who observed, "[I]t's a phony argument because it says, 'Show me, even though I told you you're not allowed to do the experiments.'" Berg added that while the human applications do not yet exist, scientists have differentiated mouse embryonic stem cells into insulin-producing beta-islet cells, and used those cells to cure diabetic mice. They have also differentiated them into dopamine-producing neurons, thereby relieving symptoms of Parkinson's in mice.

Some conservatives also argue that that uncontroversial adult stem cells can substitute for embryonic ones. At a recent hearing hosted by anti-abortion Senator Sam Brownback, the Kansas Republican promised the audience that "today's hearing is about miracles," and "today you will see answers to

private funding—if they can get it—but not with federal taxpayer dollars. (The Juvenile Diabetes Research Foundation, one of the biggest private donors, has committed \$6.3 million for embryonic-stem-cell research for 2004. For their part, biotech and pharmaceutical firms are mostly avoiding stem-cell research, scared by the investment uncertainty that accompanies political controversy.)

Of all of these rebellious developments, the California initiative is, without doubt, the most dramatic in scope and possibility, as I quickly learned during my trip to San Francisco in June. There I spoke to initiative mastermind and disease advocate Robert Klein on the press balcony at BIO 2004, just above a noisy floor of exhibits where various biotechs hawked their wares to peers and potential investors. A Palo Alto real-estate developer who has sunk more than a million dollars into the initiative and whose son Jordan suffers from juvenile diabetes, Klein passionately explains why California is the only state massive enough to fill a science funding gap created by the federal government—and why he thinks support exists in the state to pass Proposition 71. "There are 12 million Californians who are members of patient-advocacy groups because they have a family member suffering from chronic disease or injury," he told me. In other words, in crafting a policy that appeased religious conserva-

Not everyone in the Republican Party has fallen in line with conservative pseudo-science. In late April, 36 Republicans charged that Bush's rules were stifling research.

prayers." Human adult stem cells have certainly led to treatments, and will likely lead to more. Yet the argument that adult stem cells can replace embryonic ones for research purposes requires us to forget everything scientists know about human development—i.e., that once cells become specialized, they generally can't go back. No one has successfully shown that adult stem cells, located in the brain, bone marrow, and other organs, have the same potential to form all cell types that embryonic cells have—the very pluripotency that made these cells such a scientific holy grail in the first place.

But not everyone in the Republican Party has fallen in line with conservative pseudoscience. In late April, 206 members of the House of Representatives, including 36 Republicans, charged that Bush's rules were stifling research. Then Nancy Reagan spoke out passionately in support of allowing embryonic-stem-cell research to proceed without any more time lost. Soon a bipartisan group of 58 U.S. senators had joined the bandwagon.

Meanwhile, states and private-funding sources have sought to get around the Bush policy, or find a substitute for it. Like California, though on a smaller scale, New Jersey has signed a law encouraging embryonic-stem-cell research, and Governor James McGreevey has announced a \$50 million plan over five years to support the work. At Harvard, based on research supported in part by the Juvenile Diabetes Research Foundation, stem-cell ace Douglas Melton announced in March the creation of 17 new embryonic-stem-cell lines, which he would share freely with scientists internationally and here in the United States. Scientists can work on these lines with

tives, President Bush may have underestimated an equally motivated constituency: disease activists, whose lives, or whose children's lives, are on the line.

For Klein, the current stem-cell struggle has an important historical analogue. The year 1975 marked the advent of recombinant DNA technology, aka genetic engineering. Religious groups and others, afraid of scientists "playing God" or creating horrific chimeras, quickly pushed for a ban. Congress held hearings, but thanks to lobbying from scientists and biotech entrepreneurs, did not restrict the research. Recombinant DNA went on to lay the groundwork for the Human Genome Project and the entire biotechnology industry, plus genetic screening and DNA evidence in courtrooms. "It was a platform technology that changed all of life sciences, caused the development of biotechnology, and hundreds of thousands of people's lives every year are saved from the use of that," says Weissman. (Berg won the Nobel Prize in chemistry in 1980 for his work in pioneering the discovery of recombinant DNA.)

Now scientists like Berg, Weissman, Snyder are saying, once again, that they found a line of research that will transform medicine. Politicians will have a hard time ignoring their advocacy. I asked Klein what he expected from Governor Schwarzenegger—previously a supporter of stem-cell research—when it came to the initiative. Klein's response: "a phone call" in support of the measure. If the recent behavior of other Republicans on the stem-cell issue provides any indication, he may be right. ■

CHRIS MOONEY is a Prospect senior correspondent.

Currents

FILM



Then and Now: Frankie and Denzel do Ben Marco; Laurence Harvey and Liev Schreiber do Raymond Shaw. Sometimes, older is better.

Costume Psychodramas

A new *Manchurian Candidate* labors under today's partisan imperatives, while a censored Iranian blockbuster mixes art and politics more deftly.

BY NOY THRUPKAEW

IS SHE OR ISN'T SHE? THAT IS THE question stalking Meryl Streep's portrayal of a power-mad senator in *The Manchurian Candidate*. Is the actress pulling a Hillary or what? In June, Matt Drudge fanned the rumors prior to the film's release, linking to a blogger who claimed that Paramount Pictures had found Streep's "brilliantly scary and evil" rendering of her character too close to Clinton for comfort. As a result, claimed the blogger, the studio had asked director Jonathan Demme to reedit the film to remove the "more Hillary-esque gestures."

Streep has repeatedly denied that

she based her fictional Eleanor Prentiss Shaw on real-life New York Senator Clinton. The true inspiration? The actress watched hours of political talk shows, "anything with Peggy Noonan, Karen Hughes," she told *Entertainment Weekly* in April. She also noted that "jewelry is very important as well." (Shaw constantly fiddles with Barbara Bush-esque pearls as she bulldozes her hapless son into political power.)

The hullabaloo over Streep's character is certainly in keeping with the ever-more-partisan cultural climate of this wartime election year. With the rise of lefty documentaries and FOX News'

right-wing shouting heads, it's hardly surprising that audiences and the media are mining movies for nuggets of real politics. And in this case, they might be right to look.

The original *Manchurian Candidate* worked hard to keep its artistic distance intact. Based on a Richard Condon novel and directed by John Frankenheimer, the 1962 classic came out during the Cuban missile crisis, when memories of Red scares and McCarthyism were still fragrant. While Frankenheimer's film played out the conceit that China and the Soviet Union had brainwashed a Korean War vet into becoming a programmable assassin, it still managed to lampoon both sides of the political spectrum.

While smart and stylish, Demme's version labors under today's partisan imperatives. His villains are members of a shadowy corporate cabal (the Carlyle Group or Halliburton, perhaps?), intent on using a vice president (Mr. Cheney,

anyone?) to enact their nefarious schemes, which include fomenting an endless fear of terrorism, wreaking havoc on far-off countries to serve business goals, and wielding the gene-warping activities of big science against that ultimate civil liberty, free will. (Footnote: *Fahrenheit 9/11* and *The Corporation*.) All these allusions are clear in the film, which panders to a sort of *aha*-ism, dinging the audience with real-life references like touchscreen voting and a hired gun who turns on his former benefactor, the United States.

Not everything in the updated *Candidate* is that heavy-handed, though. Demme subtly captures our diffuse yet omnipresent contemporary mechanisms of top-down control. Using news crawls and television voice-overs, he depicts how the government could use

anny broke out every time Streep appeared, chewing on ice cubes and scenery in equal measure, dressed in obscene bridal white as she danced with her robot-politician son. The laughter was part admiration, part bafflement: Is she trying for camp? And is that Hillary under there?

Viewers who identify as aesthetic libertarians—those who don't want art to tell them what to think, or anyone to tell them what to think about art—won't want to know. Too late. Everyone's busy playing connect the dots, in real life and on screen, and it will be awhile yet until film frees itself from doctrinaire overtones and cedes message to the realm of imagination. There's a war on—in Iraq, in our election, and for the hearts and minds of every viewer. You'll just have to wait it out.

“It is a hideous film,” Ayatollah Ahmad Jannati said in May. “I have not seen it, but according to what I was told, it has many bad teachings and should be banned.”

an ever-present sense of terrorist menace and global mayhem to convince Americans of the need to compromise democracy in favor of security. In one tidy moment, Demme shows our hero, a war veteran determined to make sense of the shards of a Gulf War story (Denzel Washington, skillfully and twitchily reprising a similar role he played in *Courage Under Fire*), watching video cameras watching him.

The film works hard at entertaining us, and largely succeeds. But it has also lost something with its brisk one-sidedness—the original's brimstone whiff of nihilism, its riveting strangeness and disorienting dream sequences. Demme's *Candidate* is a slick knockoff of real life that aims for a knowing smirk or an easily forgettable shudder, rather than the original's psychosexual-political trawl through the deep, where no one (and no party) was sacred.

Demme's version is gorier; so are the performances. Angela Lansbury's brilliant turn as the vagina-dentata mother figure in the original has been replaced by Streep's hammy performance. At the screening I attended, a regular hooten-

AYATOLLAH AHMAD JANNATI WAS furious. As head of Iran's powerful Guardian Council—and one of the “unelected few” President Bush attacked for preventing reform in Iran—he had heard one anecdote too many about the smash-hit movie *Marmoulak* (*Lizard*). A yarn about a runaway thief who disguises himself as a mullah, the film satirizes the hypocrisy and corruption of the clerical establishment and was, Jannati said, spreading “social corruption.” Crowds of young men, upon seeing a turbaned mullah on the street, were shrieking, “Marmoulak!” before running away screaming with laughter. “It is a hideous film,” Jannati said in May. “I have not seen it, but according to what I was told, it has many bad teachings and should be banned.”

Jannati's judgment on a film that he hadn't seen is typical for the Iranian regime. After all, the chief film censor until 1994 was nearly blind—a perfect real-life expression, according to *Reading Lolita in Tehran* author Azar Nafisi, of a “totalitarian mind-set” that tries to reshape reality and confine individuals to its limited vision of the

world. Enter *Marmoulak*, the popularity of which had become a threat. Before it was banned in May, the film took the top prize at Iran's international film festival, raked in more than \$1 million, and had audiences thronging to extra late-night screenings. With its U.S. release this summer, *Marmoulak* has become the highest grossing Iranian film of all time.

Director Kamal Tabrizi's movie is deceptively simple, a sort of Persian *Sister Act* with little of the poetic lugubriousness generally associated with Iranian cinema. Instead, the film crackles with the wily energy of its main character, who has earned his reptilian moniker for his ability to scale walls and slither out of almost every sticky situation.

“Almost” is the operative word. When the film opens, Reza Marmoulak (the wonderful Parvis Parastui) has just been jailed for robbery. But the lifelong criminal and unbeliever sees a way out: He swipes the clothes of a kindly prison cleric and goes on the lam. Or tries to. In a funny scene that conveys Iranians' growing disenchantment with the powerful clerical class, Marmoulak flaps around in his robes and howls, “Damn your soul!” at the stream of taxis that refuse to stop for a mullah.

At first, Marmoulak engages in plenty of impious behavior—leering, wet-eyed, at young ladies, whispering “sssssou sssssou” to cover up the fact that he doesn't know his prayers. But after he becomes the mullah of a village mosque, he starts believing his own sermons, which revolve around a phrase uttered by the prison's mullah moments before Marmoulak pilfered his robes: “There are as many ways to reach God as there are people.” More and more followers cram into the once-abandoned mosque to hear their mullah's hilarious yet resonant rambles: He decries the top-down imposition of belief, challenges notions that Islam is only for the learned or the purely good, and advocates for the doing of good deeds over the policing of minute aspects of individuals' behavior. And with this, *Marmoulak* suggests the possibility of a people's Islam that is more responsive to, and reflective of, its followers, a religion that isn't willfully blind to how Iranians may interpret their faith and imagine themselves.

That, of course, isn't the predominant Islam in Iran today, as the fact of the film's banning makes clear. And things seem to be getting worse. Seven years ago, the newly elected President Mohammed Khatami offered the promise of reform, and millions of Iranians embraced that hope. But this year, droves of disillusioned voters, disappointed both by Khatami's inability to stand up to the country's conservatives and by the slow pace of reform, skipped February's parliamentary election. Conservatives swept the polls, began tightening their control, and continued locking horns with the United States over Iran's pursuit of nuclear weapons.

But all hope is not lost for internal democratic evolution in Iran. How else to explain the popularity of a movie that offers up a radical image of self-salvation to its Iranian audience, people who have been failed by countless political messiahs and foreign interlopers

throughout their history?

Marmoulak ends on the birthday of the last Imam Mahdi, a savior whose return is eagerly awaited by Iran's Shia believers. Marmoulak's adopted village is strewn with lights; his followers are waiting in their mosque. Tabrizi takes his audience into the scene in a masterful point-of-view shot: One by one the worshippers turn around and look directly into the camera as it advances through the mosque. Who is walking in? Whom are they looking at so expectantly? Their mock mullah, the sinner turned salt-of-the-earth saint? Imam Mahdi himself? The audience? Or perhaps some version of all three—regular Iranians like themselves who, the film seems to say, also have the power to understand God, and to make their world a closer reflection of the heaven they imagine. ■

NOY THRUPKAEW is a Prospect senior correspondent.

ment. Since then, both men have argued for the legitimacy of the use of military force in other circumstances. Walzer's 1977 book, *Just and Unjust Wars*, was a landmark in establishing the underlying philosophical principles by which to explain, for example, why World War II was morally justifiable and Vietnam was not. In the 1990s, as the Clinton administration hesitated over Bosnia and failed to act in Rwanda, Walzer—a professor at the Institute for Advanced Study in Princeton, New Jersey—came to believe that America should be willing to use military force abroad for humanitarian purposes. He says his underlying principles have not changed. In his new book, however, he writes, "Faced with the sheer number of recent horrors—with massacre and ethnic cleansing in Bosnia and Kosovo; in Rwanda, the Sudan, Sierra Leone, the Congo and Liberia; in East Timor (and earlier, in Cambodia and Bangladesh)—I have slowly become more willing to call for military intervention."

Ignatieff, director of the Carr Center for Human Rights Policy at Harvard, was among the liberals who supported Bush's invasion of Iraq, arguing that Iraqis would be better off without Saddam Hussein. Walzer opposed the Iraq War on the grounds that the United States had failed to allow time for weapons inspections to work or to pursue alternatives. "A war fought before its time is not a just war," he wrote in March 2003. He emphasizes, however, that America's use of force to overthrow the Taliban in Afghanistan was a just war.

Although Walzer's *Arguing About War* is only a collection of short essays written over the past two decades, it is the more important of the two works because the articles and arguments fit together so well. One by one, Walzer takes up the moral issues raised by an unfolding series of military conflicts—in the Gulf War, the Palestinian intifada, Bosnia, Kosovo, Afghanistan, and the U.S. invasion of Iraq. He compares each conflict with others, reflects on how things might have worked out differently, and acknowledges the inherent ambiguities of humanitarian intervention.

"Consider: if some powerful state or regional alliance had rushed troops into

BOOKS

Rules of Engagement

ARGUING ABOUT WAR BY MICHAEL WALZER • YALE UNIVERSITY PRESS • 225 PAGES • \$25.00

THE LESSER EVIL: POLITICAL ETHICS IN AN AGE OF TERROR BY MICHAEL IGNATIEFF • PRINCETON UNIVERSITY PRESS • 160 PAGES • \$22.95

BY JAMES MANN

IT IS NOT EASY TO WEAVE TOGETHER the various shorthand critiques of the Bush administration into a single, coherent framework of ideas for the future. President Bush's intervention in Iraq has been a disaster—but does that mean the United States should forswear unilateral military action in the future? What if there were another genocide like Rwanda, and what if the United Nations proved unwilling or unable to respond? Progressives can agree that John Ashcroft's Justice Department has set new records for violations of individual rights—but what can a government do to combat the threat of terrorist attack, and what rules should apply?

In two new books, Michael Walzer and Michael Ignatieff each attempt to

set down the complex ethical principles that they hope will enable us to judge American conduct at home and abroad. The focus of the two works is not quite the same: Walzer's *Arguing About War* tries to explain at what point a country is morally justified in resorting to military force overseas, while Ignatieff's *The Lesser Evil* seeks to explore what sorts of actions a government can take against terrorism on the home front. The results, in both cases, are a series of intelligent reflections, but not the sort of simple rules one could put on a wallet card.

Walzer and Ignatieff represent similar sensibilities. Both of them are liberals whose views, in their early years, grew out of the Vietnam anti-war move-

Rwanda when the massacres first began or as soon as their scope was apparent, the massacre, the exodus, and the cholera plague might have been avoided," Walzer writes in one trenchant essay. "But the troops would still be there, probably, and no one would know what hadn't happened."

Walzer's ruminations take him in various directions, sometimes in favor of military intervention, sometimes denouncing it. After supporting the use of force to stop ethnic cleansing in Kosovo, he expresses revulsion at the Clinton administration's and NATO's reliance on air power and refusal to send ground troops. The result was that the Serbians hurriedly stepped up their brutal campaign against the Kosovars. "You can't kill unless you are prepared to die," Walzer concludes.

Amid the current debate over the Bush administration's Lone Ranger approach to foreign policy, Walzer's book includes some cautionary reflections on the limits of multilateralism. In a 1994 essay prompted by Bosnia and Rwanda, he wrote, prophetically, that "no one really wants the United States to become the world's policeman, even of last-resort, as we would quickly see were we to undertake the role." Nevertheless, Walzer argues, "multilateralism is no guarantee of anything." He points to recent history. Some of the world's most egregious human-rights abuses have been stopped by the intervention of a neighboring country, not by the international community: Vietnamese troops put an end to the genocide in Cambodia, and Tanzania intervened to end Idi Amin's depredations in Uganda. "It wasn't the U.N. that overthrew Pol Pot and stopped the Khmer Rouge massacres," Walzer writes. "And so long as we can't be sure of its ability and readiness to do that, we will have to look for and live with unilateral interventions."

On terrorism, Walzer denounces what he calls a "culture of excuse and apology." He is particularly scathing in his critique of those on the political left

who argued after September 11 that the United States "had it coming" because of American policies in the Middle East. (He does not say here exactly whom he has in mind, although in a separate 1988 essay on excuses for terrorism, he mentions Edward Said.)

Walzer takes up and rejects each of the arguments made to justify terrorism. The principal one is that it represents a "last resort"—that, when nothing else works, the terrorists finally choose violence. But, in fact, Walzer responds, ter-



My City Was Gone: Dresden, 1945—was it justified?

rorism is usually the first resort, the tactic chosen by those "who believe from the beginning that the Enemy should be killed and who are neither interested in nor capable of organizing their own people for any other kind of politics."

The reader yearns for Walzer to come up with some formula for deciding when it is morally defensible to wage war. But he only describes some general ideas, such as that war should not be aimed at noncombatants, that aggression should be reversed, and that the use of force should hold roughly to a principle of proportionality. There will always be argu-

ments about how these principles apply in particular cases, he acknowledges.

Moreover, Walzer admits that there are rare cases (he calls them "supreme emergencies") when the very survival of the civilized world is at stake and the ordinary rules of war may be suspended. He cites, for example, Winston Churchill's decision to bomb the centers of German cities in the early stages of World War II, at a time when it was arguably necessary to prevent a Nazi victory and the complete collapse of all opposition to Hitler. "There are limits on the conduct of war, and there are moments when we can and perhaps should break through the limits (the limits themselves never disappear)." These are troubling words: As Walzer acknowledges, it is all too easy for a political leader to justify whatever he wants to do by asserting that his nation faces a supreme emergency.

Ignatieff's *The Lesser Evil*, like Walzer's book, is full of useful history. He compares how various governments have dealt with terrorism, political insurgencies, and other violent upheavals—Czarist Russia, Weimar Germany, the French in Algeria, the British in Northern Ireland, Israel in the West Bank and Gaza, Italy against the Red Brigades, Spain against the Basques.

Occasionally, his conclusions are heartening. "Terrorism has damaged liberal democracies, but it has never succeeded in breaking their political systems," Ignatieff writes. "Liberal

states turn out to be much less weak than they perceive themselves to be; indeed, their chief weakness is to underestimate their strengths."

Given his belief in the power of liberal democracy, one might perhaps expect Ignatieff to come up with clear standards, ones that would prohibit the extreme measures that have been employed throughout the world in the name of combating terrorism—such as, for example, mass detentions, targeted assassinations, torture, or intensive interrogation. (Ignatieff's book was published before the Abu

Ghraib prison scandal broke.)

Yet Ignatieff seems all too flexible, all too accepting of what governments seek to do in the name of counterterrorism. He doesn't rule anything out, for its own sake; his solution, again and again, is to call for due process of law. "If the targeted killing of terrorists proves necessary, it can be constrained by strict rules of engagement and subjected to legislative oversight and review," Ignatieff writes. We can use secret courts and secret legislative hearings to make sure that covert intelligence agencies don't go too far, Ignatieff maintains; he cites the example of the U.S. Foreign Intelligence Surveillance Court, set up to approve wiretapping and eavesdropping on foreign sources. It's a revealing example: In their secret hearings, the judges on those courts have, over the past quarter-century, invariably approved whatever the FBI and other agencies wanted to do.

"The fact that liberal democratic leaders may order the surreptitious killing of terrorists, may withhold information from their voters, may order the suspension of civil liberties need not mean that 'anything goes,'" argues Ignatieff. "Even if liberties must be suspended, their suspension can be made temporary; if executives must withhold information from a legislature in public, they must be obliged to disclose it in private session or at a later date."

In fairness to Ignatieff, he does not go nearly so far as the Bush administration. Ignatieff embraces the principle that persons who are detained should have access to the court system. "If a democracy wishes to keep actual physical torture out of its interrogation rooms, it has to grant detainees access to counsel and the possibility of judicial review," Ignatieff writes, thus flatly rejecting the view expressed by the Bush administration (and rejected by the Supreme Court) that some of the people it has detained are simply outside the purview of the federal judiciary.

The problem lies in the very notion of "lesser evil," the words Ignatieff chose for the title of his book. He is eloquent in describing the unprecedented threat posed by stateless terrorist groups, particularly from the possibility that terrorists may some-

day acquire weapons of mass destruction. "Terrorism constitutes a greater evil, justifying the lesser evils of a liberal democracy's response," he writes.

But this seems like an impossible calculus. Is there any combination of roundups, interrogations, and assassinations that make the "lesser" evils finally add up to more than the "greater" one? Ignatieff doesn't say. He means to

be pleading for the perpetuation of liberal values, but in his reluctance to set down limits that can be applied in combating terrorism, he seems to call into question the future of the liberal values in which he believes. ■

JAMES MANN is the author of *Rise of the Vulcans: The History of Bush's War Cabinet*.

BOOKS

Rights Stuff

THE SECOND BILL OF RIGHTS: FDR'S UNFINISHED REVOLUTION—AND WHY WE NEED IT MORE THAN EVER BY CASS R. SUNSTEIN • BASIC BOOKS • 294 PAGES • \$25.00

BY WILLIAM FORBATH

MOST OF THE WORLD'S CONSTITUTIONS include three kinds of rights: civil, political, and social. The U.S. Constitution, however, makes no mention of "social rights," and the Supreme Court says the Constitution's "majestic generalities," such as "equal protection of the laws," confer no "affirmative rights"—no right to housing, for example, or to a minimally adequate education. Still, state constitutions and specific pieces of legislation do create such rights (particularly to education), and many liberals often claim that health care or a living wage ought to be a matter of right. But are rights the right way to carry out these goals?

The prolific liberal constitutional scholar Cass Sunstein has written a book to convince us that rights are the right stuff, and to make his case he reaches back to what he calls the "greatest speech of the twentieth century": Franklin Delano Roosevelt's 1944 State of the Union address, which proposed that Americans recognize a Second Bill of Rights. As FDR conceived it, every American would have the right "to a useful and remunerative job," "good education," "adequate medical care and the opportunity to ... enjoy good health," and "adequate protection from the economic fears of old age, sickness, accident, and unemployment." Every family would be entitled to "a decent home," every businessman to "freedom from unfair com-

petition," and every farmer "to raise and sell his products" at a decent return. FDR's account of Americans' social rights was not chiefly about what we call "welfare." It centered on government's duty to ensure everyone decent work and remuneration, and behind that, a system of universal social insurance.

Eminently readable and thought-provoking, Sunstein's *The Second Bill of Rights* is part history, part theory, and part survey of social-rights jurisprudence around the globe. At a time when progressives are pressed to think small, Sunstein encourages us to think large, about a remarkably robust vision of social and economic rights that once was ours, and how we might regain it. But his arguments in favor of social rights are curiously vague and ambivalent.

Like Roosevelt, Sunstein does not propose to amend the Constitution to provide for social and economic rights. He argues that these rights should be seen as commitments that legislators, not courts, must bring to earth. In other words, they must be achieved politically rather than judicially. And instead of conceiving of them as constitutional rights, he calls them "constitutive commitments," claiming that history has made them constitutive of our national identity.

Borrowing from recent scholarship, Sunstein paints a convincing portrait of FDR as a serious constitutional visionary and educator. According to the conven-

tional historical wisdom, FDR was a pragmatist with no theoretical principles and, regarding constitutional change, a cynical opportunist. After all, faced with a conservative Supreme Court majority striking down key New Deal reforms, didn't Roosevelt try to increase the number of justices on the Court and pack it with his nominees? FDR was consistent about certain goals, however, and these included what he termed a "re-definition of rights in terms of a changing and growing social order."

The Framers, FDR argued, knew that personal liberty and political freedom

tional democracy, a mature industrial America needed an "economic constitutional order" and a "declaration of social and economic rights."

FDR offered his Second Bill of Rights to the world—and the world bought it. During the 1940s, Sunstein observes, it became a "leading American export," shaping the United Nation's Universal Declaration of Human Rights and influencing dozens of new constitutions. But the United States did not embrace the Second Bill, and today it exports an *anti-social-and-economic rights* dogma sometimes called the Washington

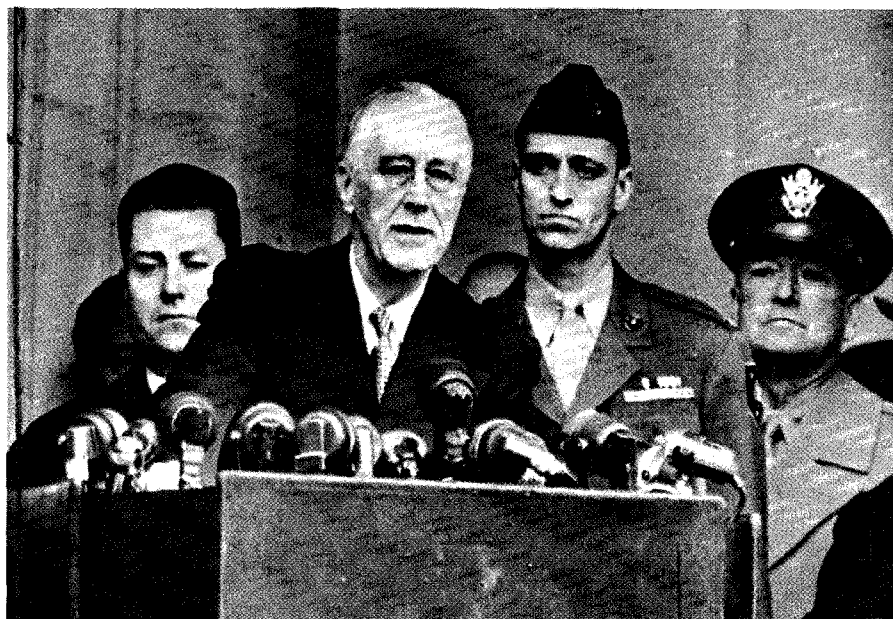
federal acceptance of Jim Crow undercut Roosevelt's vision of a Second Bill of Rights.

The main legislative embodiments of Roosevelt's vision were the Wagner, Fair Labor Standards, and Social Security acts of the 1930s, and the industrial unions became the only powerful, organized constituency for social and economic rights. Blocked by the Dixiecrats at every legislative crossroads, however, the unions gradually abandoned efforts to complete the New Deal and bargained instead for private entitlements to job security, pensions, and health insurance for their own members.

Social rights were reborn in the 1960s as "welfare rights," a shift that Sunstein largely ignores. FDR's Second Bill spoke to and for a majority coalition that, in principle, included disenfranchised blacks along with whites. In practice, however, the limited system of social provision and labor rights bequeathed by the New Deal failed most African Americans. For urban blacks, public assistance stood as the primary federal protection against poverty, and many of the new social programs of the '60s were targeted at minorities. Many civil-rights and labor leaders tried to craft a broader agenda—including jobs, housing, and health care—as rights of all Americans. But the mass constituencies and organizations for such an agenda weren't there.

The war on poverty and the struggle for welfare rights in the courts advanced some social rights, as Sunstein notes. As in its decisions desegregating the schools, the Court cast itself as countermajoritarian guardian of rights on behalf of racial minorities, the poor, and the dispossessed. Indeed, the Court seemed to be verging on judicial recognition of minimum rights to welfare and education when the Republican victory in 1968 deprived the Court's liberals of the votes they needed to carry the process forward. If not for Richard Nixon's razor-thin victory, Sunstein argues, "significant parts" of the Second Bill "would probably be part of our constitutional understandings today." Certainly, he goes on, they'd be part of "the nation's constitutive commitments, which is where they belong."

But here is where Sunstein's use of



Frankly Put: Roosevelt argued that constitutional democracy cannot exist without social rights.

were inseparable from a measure of economic independence and material security. But in their day, land was plentiful, and even laborers owned some property. So, for a century or more, the old common-law rights "involved in acquiring and possessing property," along with the ballot and freedom to live by one's "own lights," ensured the liberty of ordinary Americans. By the end of the 19th century, however, "our industrial combinations had become great uncontrolled and irresponsible units of power within the State." These new conditions robbed the old rights of their ability to secure the "welfare and happiness of ordinary Americans." The "political tyrants" of the 18th century had been replaced by "economic royalists." But "freedom is no half-and-half affair." "Necessitous" people are not "free." To remain a constitu-

Consensus. So how can the Second Bill be a statement of America's constitutive commitments when the United States has abandoned the very idea of social and economic rights?

In explaining why the Second Bill didn't get carried out, Sunstein overlooks some well-known political reasons for the defeat of Roosevelt's vision. By the 1940s, southern Democrats had joined with conservative Republicans to block a broad social-rights agenda, including bills to enact national health insurance, to remedy the many gaps in the Social Security Act, and to achieve full employment. No doubt, congressional Democrats from the South would have supported these measures if they had voted the wishes of the region's disenfranchised black and poor white majority. The same influences that led to

the term “constitutive commitments” becomes especially tricky. Carrying out such commitments requires broad political support, and it is doubtful that there would have been such support for substantially expanding welfare rights for the very poor. FDR’s Second Bill promised each American the realistic opportunity to earn a decent livelihood, with leisure, recreation, good health, and the assurance of adequate social provision for everyone unable to work. “Welfare rights” did not evoke that shared destiny of work and opportunity.

The broad reach of FDR’s Second Bill appealed—and still may appeal—to the needs and aspirations of a vast swath of Americans. Sunstein ends up with a sparser proposal that offers the nation’s poor good education, health insurance, and a minimum subsistence in the form

In contrast, the provision of decent subsistence, shelter, and health care are not so fraught with practical uncertainties as to be beyond government’s capacity to address or the courts’ abilities to help secure. It’s puzzling why Sunstein thinks that rights to these basic conditions of life have no place in the Constitution and the courts. Many constitutional scholars hold that because social rights are costly and implementing them involves complex resource allocations, the courts should leave the entire business to the other branches. But Sunstein offers a cogent critique of these views. Obviously, courts can’t enforce social rights to the hilt, but, as Sunstein acknowledges, courts can prod legislatures to ensure that “basic needs receive a degree of legislative priority and that the most con-

Sunstein laments that FDR favored increasing the minimum wage, which he deems inefficient because it may help “many people who are not poor.”

of welfare checks or earned income tax credits for those employed at poverty-level wages. Sunstein spurns Roosevelt’s notion of a right to decent work, and even laments that FDR favored “efforts to increase the minimum wage,” which Sunstein deems inefficient because such efforts may increase “the income of many people who are not poor.”

With globalization and dire changes in American labor markets, no one knows just how government today could make good on Roosevelt’s vision of well-paid work for every American. If Sunstein were calling for judicial enforcement of social rights, one could understand why he would leave FDR’s right to decent, remunerative work off his list. But Sunstein underscores that social rights can, and often should be, understood as rights that lawmakers must honor as much as they practically can. The principle that everyone willing to work hard should earn a decent livelihood remains popular and compelling, and there is a lot that government can do to broaden the base of decent work—even if remunerative work can’t be made an individual entitlement.

spicuous forms of neglect are corrected.” He also agrees that “a judicial interpretation of the Fourteenth Amendment that called for much of the second bill” would be perfectly sound. Rather than argue straightforwardly for making social rights a matter of constitutional law, however, he calls for recognizing them as constitutive commitments, perhaps because he believes that approach would draw wider support.

FDR made an eloquent, popular case for the proposition that we simply cannot have a constitutional democracy in modern America without social rights. People who are ill-fed, ill-clothed, uneducated, and shelterless cannot realistically enjoy an equal footing in the political world of ordinary citizens. The logic of FDR’s position remains strong, perhaps stronger than even Sunstein allows. Let’s hope his book helps send this case back for public reargument. ■

WILLIAM FORBATH is the Lloyd M. Bentsen Professor of Law at the University of Texas at Austin and the author of *Law and the Shaping of the American Labor Movement*.

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States of Emergency

BY BRUCE ACKERMAN

Is there constitutional substance to the “war on terror”? The rhetoric of war has paid political dividends for President Bush, but that does not make it a compelling legal concept. The classic war is between sovereign states. The conflicts with Afghanistan

and Iraq were wars; the struggle against al-Qaeda is not. And in contrast to classical wars, the war on terrorism will never end. So if we choose to call this a war, we will never return to a legal world in which individual rights are respected as a matter of course.

The Supreme Court has emphasized this point. In a recent decision, Justice Sandra Day O'Connor upheld the power of the president to detain Yaser Esam Hamdi as an enemy combatant as long as “United States troops are still involved in active combat in Afghanistan,” and not for a never-ending war on terrorism. Such a step, she cautioned, would require a reconsideration of existing principles.

This won't stop presidents from pressing the matter. Almost two centuries ago, Andrew Jackson was making war on the Bank of the United States. More recently, presidents have waged wars on drugs, crime, and poverty. Even at its most metaphorical, martial rhetoric gives presidents a chance to invoke their mystique as commander in chief.

Nevertheless, expansive presidential claims shouldn't be dismissed out of hand. In one respect, the al-Qaeda threat really is different from other criminal conspiracies. Mafiosi are generally content to allow government officials to flaunt their symbols of legitimacy so long as gangsters control the underworld. But the point of a terrorist bomb is to challenge government. It can cause widespread panic as citizens feel the foundations of public order crumbling beneath their feet.

The only way for government to meet this challenge is to do everything plausible to prevent a second strike. This is why the president's war talk resonates so broadly: The 9-11 attacks are indeed similar to Pearl Harbor in their challenge to American sovereignty, and they do require an extraordinary response.

But instead of permitting a never-ending war on terrorism, we should develop a different tradition of our law. When a natural disaster strikes, we expect a governor to declare a state of emergency. We should take the same tack in confronting terrorist strikes.

Crafting an emergency statute is tricky. Only a massive strike should authorize the president to declare an emergency, and he should be authorized to act unilaterally only for a week or two—long enough for Congress to consider the matter. The emergency should expire unless a majority of Congress supports the president. After two months, the matter should return to Congress for reauthorization, and this time, a 60-percent super-majority should be required for another two-month extension; the next should require 70 percent, and 80 percent thereafter.

Except for the worst terrorist onslaughts, this “super-majoritarian escalator” would terminate the use of extraordinary powers after a short period. And while the emergency lasts, judges should be empowered to intervene to prevent torture and other abuses. Courts should also limit preventive detention. Nobody should be detained for more than 45 days, and then only if authorities have reasonable suspicion of terrorist activities. Once 45 days are up, the government must satisfy the higher standards required for criminal prosecution.

Terrorists will strike again. And while we may stop most conspiracies, one major attack every decade could generate cycles of hysteria that would do irretrievable damage to our freedom.

If we are wise, we will use this moment to create a new legal structure to control the panics that loom ahead. Justice O'Connor's remarks deserve to be taken seriously, but it is too big a risk to rely on the Court to save us from an escalating war on terrorism.

Our Constitution authorizes the suspension of habeas corpus “when in cases of invasion and rebellion the public safety shall require it.” This clause provides authority for a carefully controlled emergency statute, and we should not wait till the next terrorist strike to take action. ■

BRUCE ACKERMAN is a professor of law and political science at Yale University and the author of *The Emergency Constitution*. Robert B. Reich will return next issue.

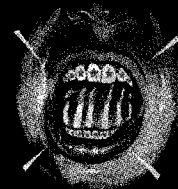
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that have limits—
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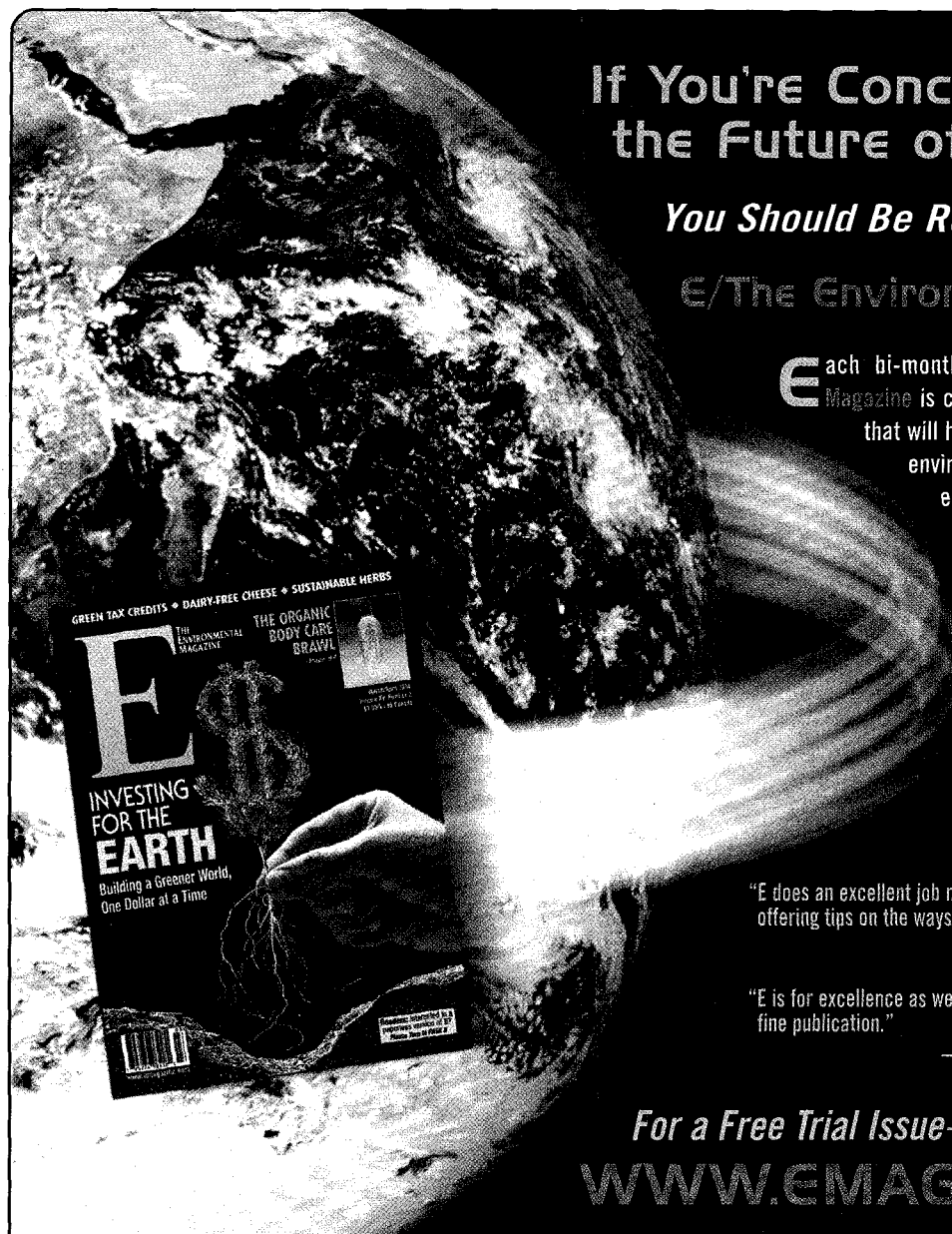
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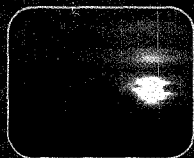
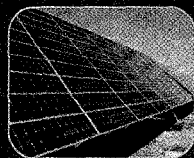
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